CNBM

China National Building Material Company Limited*

(Stock Code: 03323)

2021 Annual Report 年度報告

* For identification only

Corporate Vision

Being a world-class materials company,
and committed to value creation and shareholder returns

Corporate Mission

Materials create a better world

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:03323) 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 2021, the Company has a total issued share capital of 8,434,770,662 Shares.

The Group is mainly engaged in basis building materials, new materials and engineering technical services businesses. As regards the current market positions (in terms of the production capacity or contract amount in 2021), 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 world;
- the largest glass fiber producer in the world;
- the largest light steel stud producer in the world;
- the largest cement engineering system integration service provider in the world.

Corporate Information

DIRECTORS:

Executive Directors

Zhou Yuxian *(Chairman)*
Chang Zhangli *(President)*
Fu Jinguang
Xiao Jiaxiang
Wang Bing

Non-executive Directors

Li Xinhua
Wang Yumeng
Peng Shou
Shen Yungang
Fan Xiaoyan

Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Li Jun
Xia Xue

STRATEGIC STEERING COMMITTEE:

Zhou Yuxian *(Chairman)*
Li Xinhua
Chang Zhangli
Zhou Fangsheng

NOMINATION COMMITTEE:

Sun Yanjun *(Chairman)*
Liu Jianwen
Zhou Yuxian

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE:

Zhou Fangsheng *(Chairman)*
Sun Yanjun
Zhou Yuxian

AUDIT COMMITTEE:

Li Jun *(Chairman)*
Liu Jianwen
Xia Xue

SUPERVISORS:

Zhan Yanjing *(Chairman of the Supervisory Committee)*
Wei Rushan
Hu Juan
Wu Weiku *(Independent Superviswor)*
Li Xuan *(Independent Supervisor)*
Zeng Xuan *(Staff Representative Supervisor)*
Yu Yuehua *(Staff Representative Supervisor)*
Du Guangyuan *(Staff Representative Supervisor)*

Secretary of the Board	:	Pei Hongyan
Joint Company Secretaries	:	Pei Hongyan Lee Mei Yi (FCG, HKFCG)
Authorised Representatives	:	Zhou Yuxian Chang Zhangli
Alternate Authorised Representative	:	Lee Mei Yi (FCG, HKFCG) (Law On Ching (ACG, HKACG), 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

Note: On 28 February 2022, Mr. Wu Weiku, an independent Supervisor of the Company, passed away due to illness. The Company expresses deep sorrow for the passing away of Mr. Wu, and expresses gratitude to Mr. Wu for his contribution to the development of the Company during his tenure. The Company will fill the vacancy of independent Supervisor in accordance with relevant laws and regulations.

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

International Auditor (Registered PIE 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
"4335"	4335 guiding principle, that is, to establish four concepts, establish three closed-loop systems, achieve three great changes, and create a five "Sinic Growth Values" enterprise
"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 Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"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 Coating"	北新塗料有限公司 (BNBM Coating Limited Company)
"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)

"BNBMG"	北新集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
"BNBM Waterproof"	北新防水有限公司 (BNBM Waterproof Limited Company)
"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)
"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 Sinoma Overseas"	中材海外工程有限公司 (Sinoma Overseas Engineering 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" or "China United Cement (Shandong)"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"China United Tongli (Henan)"	河南中聯同力材料有限公司 (Henan China United Tongli Material Co., Ltd.)
"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.)

“CNBM United Investment”	中建材聯合投資有限公司 (CNBM United Investment Co., Ltd.)
“CNBMI Logistics”	中建投物流有限公司 (CNBMI Logistics Company Limited)
“CNBMIT”	中建材物資有限公司 (CNBMIT Co., Ltd.)
“CO_2 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.)
“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
“East China Material”	華東材料有限公司 (East China Material Limited Company) (to be determined upon the approval of the business registration department)
“Forchn International”	富春國際有限公司 (Forchn International Co., Limited)
“Group”	the Company and, except where the context otherwise requires, all its subsidiaries

Definitions *(Continued)*

"Guang An BNBM"	廣安北新建材有限公司 (Guang An BNBM Building Material Company Limited)
"Guizhou 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
"Hong Kong Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
"Hunan Chinaly"	湖南中鋰新材料有限公司 (Hunan Chinaly New Material Co., Ltd.)
"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.)

"Jiahua Cement"	嘉華特種水泥股份有限公司 (Jiahua Special Cement Company Limited)
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangsu Solar Energy"	江蘇太陽能新材料有限公司 (Jiangsu Solar Energy Materials Co., Ltd.)
"Jiangxi 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)
"Kharachi Cement"	喀喇沁草原水泥有限責任公司 (Kharachi Grassland Cement Co., Ltd.)
"Liaoyuan Weijin"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"management of three delicacies"	improve operating efficiency, enhance refined management and streamline the organizational structure
"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 Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)

Definitions *(Continued)*

"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 Company"	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.)
"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.)
"Reporting Period"	the period from 1 January 2021 to 31 December 2021
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Sanshi Commercial Concrete"	浙江三獅南方新材料有限公司 (Zhejiang Sanshi South New Material Limited Company)
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"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 Blade"	中材科技風電葉片股份有限公司 (Sinoma Wind Power Blade Co., Ltd.)
"Sinoma Cement" or "Sinoma Cement (Overseas)"	中材水泥有限責任公司 (Sinoma Cement Co., Ltd.)
"Sinoma Handan“	邯鄲中材建設有限責任公司 (Sinoma (Handan) Construction Co., Ltd.)
"Sinoma Insulator“	中材江西電瓷電氣有限公司 (Sinoma Jiangxi Insulator and Electrics 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 Lithium Membrane"	中材鋰膜有限公司 (Sinoma Lithium Membrane Co., Ltd.)
"Sinoma Mining"	中材礦山建設有限公司 (Sinoma Mining Construction Co., Ltd.)
"Sinoma Parent"	中國中材集團有限公司 (China National Materials Group Corporation Ltd.), a wholly-owned subsidiary of the Parent
"Sinoma 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.)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)

"South Cement (Shanghai)"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"South China Materials"	南方新材料科技有限公司 (South New Materials Technology Company Limited)
"South Graphite"	南方石墨有限公司 (South Graphite Co., Ltd.)
"Southwest Cement" or "Sichuan-Chongqing Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Suzhou Academy"	蘇州混凝土水泥製品研究院有限公司 (Suzhou Concrete Cement Products Academy Co., Ltd.*)
"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.)
"Synthetic Crystals"	北京中材人工晶體研究院有限公司 (Beijing Sinoma Synthetic Crystals 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.*)

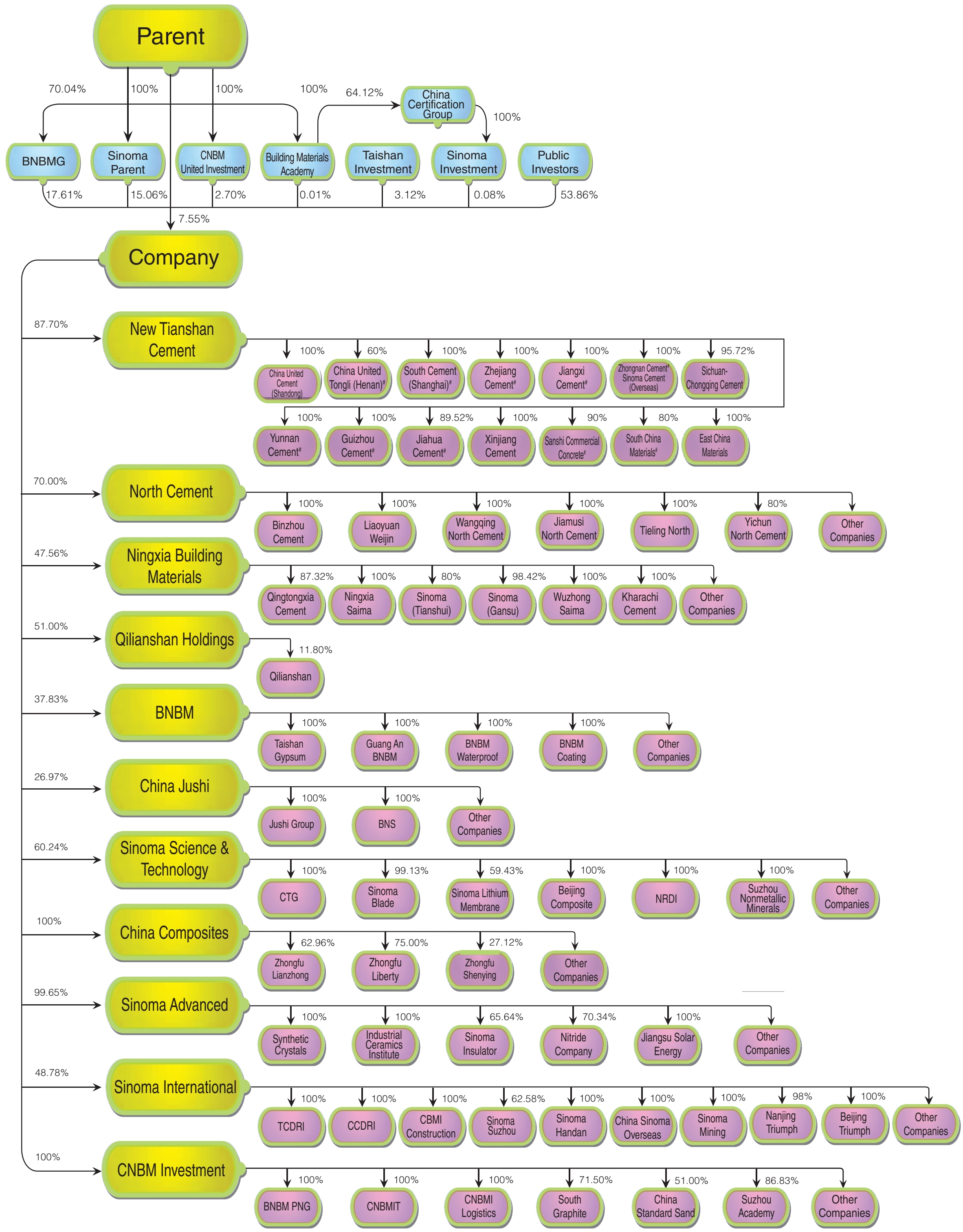
"Taishan Investment"	泰安市泰山投資有限公司 (Taian Taishan Investment Co., Ltd.)
"TCDRI"	天津水泥工業設計研究院有限公司 (Tianjin Cement Industry Design & Research Institute Co., Ltd.)
"Tianshan Building Materials"	新疆天山建材(集團)有限責任公司 (Xinjiang Tianshan Building Materials (Group) Co., Ltd.)
"Tianshan Cement" or "New Tianshan Cement"	新疆天山水泥股份有限公司 (New Tianshan Cement Co., Ltd.*), New Tianshan Cement refers to Xinjiang Tianshan Cement Co., Ltd. after business integration
"Tieling North"	金剛水泥(鐵嶺)水泥有限公司 (Jingang Cement (Tieling) Cement Company Limited)
"Unlisted Foreign Shares"	the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company
"Unlisted Shares"	the Domestic Shares and the Unlisted Foreign Shares
"Wangqing North Cement"	汪清北方水泥有限責任公司 (Wangqing North Cement Limited Liability Company)
"Wuzhong Saima"	吳忠賽馬新型建材有限公司 (Wuzhong Saima New Building Materials Co., Ltd.)
"Xinjiang Cement"	新疆天山水泥有限責任公司 (Xinjiang Tianshan Cement Co., Ltd.) (to be determined upon the approval of the business registration department)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)

"Zhejiang Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited*)
"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.)
"Zhongnan Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"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.)

* *For identification purposes only*

Shareholding Structure of the Group

The simplified structure of the Group as of 31 December 2021 is set out below:



– represents indirect holding

Shareholding Structure of the Group (Continued)

Notes:

1. The aforementioned percentages are rounded to 2 decimal places. Due to rounding, 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 held 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 held 64.12% equity interest of China Certification Group, and indirectly held 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 held 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 directly held 70% equity interest of North Cement and indirectly held 4.6% equity interest of North Cement through South Cement.

7. On 9 August 2021, a total of 689,448,706 Unlisted Shares held by the shareholders including Cinda, Forchn International, Chengtong Financial, Guoxin Investment, Tianshan Building Materials, BBMG and Zibo High-Tech completed the conversion to H Shares, and those shares were listed on the Stock Exchange at 9:00 a.m. on 10 August 2021.

8. On 13 August 2021, CNBM Trading, a Shareholder of the Company, entered into an agreement with CNBM United Investment, pursuant to which CNBM Trading agreed to transfer 2.7% equity interest of the Company to CNBM United Investment. On 30 December 2021, both parties have completed the industrial and commercial registration.

9. Upon completion of the integration of the cement business segment, the Company held 87.70% equity interest in New Tianshan Cement. During the period from 11 to 13 January 2022, New Tianshan Cement issued and allotted 314,616,887 subscription shares to independent subscribers, which were listed on the Shenzhen Stock Exchange on 25 February 2022. After the issuance of the additional shares, the Company's equity interest in New Tianshan Cement was reduced from 87.70% to 84.52%.

10. Subsidiaries of New Tianshan Cement based on administrative divisions are divided into 14 regional companies. As of the date of this report, New Tianshan Cement (i) held 60% equity interest in China United Tongli (Henan) through China United Cement (Shandong); (ii) through South Cement, held 100% equity interest in each of South Cement (Shanghai), Zhejiang Cement, Jiangxi Cement and Zhongnan Cement and 90% equity interest in Sanshi Commercial Concrete; and (iii) through Sichuan-Chongqing Cement, held 100% equity interest in each of Yunnan Cement and Guizhou Cement and 89.52% equity interest in Jiahua Cement. New Tianshan Cement intends to (i) hold a total of 80% equity interest in South China Materials through its subsidiaries including South Cement; and (ii) register Xinjiang Cement and East China Material as its directly wholly-owned subsidiaries.

11. The Company proposed to increase its shareholding in Qilianshan during the six-month period from 18 March 2022 with its self-owned funds. Before implementing the shareholding increase plan, the Company indirectly held 11.80% equity interest in Qilianshan through Qilianshan Holdings, and the Company directly held 13.24% equity interest in Qilianshan Holdings. As at 29 March 2022, the Company increased its shareholding of 13,100,000 shares in aggregate to Qilianshan through the Shanghai Stock Exchange trading system, resulted the Company holding 14.93% equity interest in Qilianshan directly.

12. The Company proposed to increase its shareholding in Ningxia Building Materials during the six-month period from 21 March 2022 with its self-owned funds. Before implementing the shareholding increase plan, the Company held 47.56% equity interest in Ningxia Building Materials. As at 29 March 2022, the Company increased its shareholding of 7,061,810 shares in aggregate to Ningxia Building Materials through the Shanghai Stock Exchange trading system, resulted the Company holding 49.03% equity interest in Ningxia Building Materials.

Financial Highlights

The financial highlights of the Group in 2021 and 2020 are summarized as follows:

	For the year ended 31 December		
	2021	2020 (restated)	Growth rate
	(RMB in thousands)		
Revenue	**273,683,403**	254,842,661	7.4%
Gross profit	**65,368,313**	66,847,211	-2.2%
Profit after tax	**25,619,044**	21,664,445	18.3%
Profit attributable to equity holders of the Company	**16,218,359**	12,562,708	29.1%
Distribution made to the equity holders of the Company	**3,964,342**	2,952,170	34.3%
Earnings per share-basic *(RMB)*[1]	**1.923**	1.489	29.1%

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 in 2020 and the weighted average number of 8,434,770,662 shares in 2021.

	As at 31 December		
	2021	2020 (restated)	Growth rate
	(RMB in thousands)		
Total assets	**462,542,131**	456,642,590	1.3%
Total liabilities	**283,917,708**	291,346,998	-2.5%
Net assets	**178,624,423**	165,295,592	8.1%
Non-controlling interests	**59,941,879**	56,334,614	6.4%
Equity attributable to equity holders of the Company	**101,873,402**	90,323,801	12.8%
Net assets per share-weighted average *(RMB)*[1]	**12.08**	10.71	12.8%
Debt to assets ratio[2]	**36.1%**	38.3%	Decreased by 2.2 percentage points
Net debt ratio[3]	**78.1%**	87.9%	Decreased by 9.7 percentage points

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 in 2020 and the weighted average number of 8,434,770,662 in 2021.

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

(3) Net debt ratio = (total borrowings - bank balances and cash)/net assets x100%.

The major operating data of the Group in 2021 and 2020 are set out below:

BASIC BUILDING MATERIALS SEGMENT

	For the year ended 31 December		
	2021	2020	Growth rate
Sales volume – cement *(in thousand tonnes)*	**332,131**	342,263	-3.0%
Sales volume – clinker *(in thousand tonnes)*	**40,401**	46,532	-13.2%
Total sales of cement and clinker *(in thousand tonnes)*	**372,532**	388,795	-4.2%
Average selling price – cement *(RMB per tonne)*	**359.1**	325.6	10.3%
Average selling price – clinker *(RMB per tonne)*	**313.0**	286.5	9.2%
Average selling price of cement and clinker *(RMB per tonne)*	**354.1**	320.9	10.3%
Sales volume – commercial concrete *(in thousand m^3)*	**111,832**	111,527	0.3%
Average selling price – commercial concrete *(RMB per m^3)*	**454.4**	458.6	-0.9%
Sales volume – aggregate *(in thousand tonnes)*	**103,818**	78,907	31.6%
Average selling price – aggregate *(RMB per tonne)*	**46.9**	50.0	-6.2%

Business Highlights (Continued)

NEW MATERIALS SEGMENT

	For the year ended 31 December		
	2021	2020	Growth rate
Gypsum board			
Sales volume *(in million m²)*	**2,378.4**	2,014.8	18.0%
Average selling price *(RMB per m²)*	**5.65**	5.28	7.0%
Glass fiber yarn			
Sales volume (in thousand tonnes)	**3,092**	2,828	9.3%
Average selling price (RMB per tonne)	**6,106**	4,660	31.0%
Wind power blade			
Sales volume *(MW)*	**15,887**	17,322	-8.3%
Average selling price *(RMB per MW)*	**618,662**	761,844	-18.8%
Lithium battery separator			
Sales volume *(in million m²)*	**685.4**	389.0	76.2%
Average selling price *(RMB per m²)*	**1.64**	1.48	10.6%
Waterproofing membrane			
Sales volume *(in million m²)*	**154.0**	143.4	7.4%
Average selling price *(RMB per m²)*	**16.54**	17.08	-3.2%
Carbon fiber			
Sales volume *(in thousand tonnes)*	**6.1**	3.8	63.3%
Average selling price *(RMB per tonne)*	**189,419**	140,259	35.0%
Advanced ceramics			
Sales volume *(in thousand tonnes)*	**108.4**	81.4	33.2%
Average selling price *(RMB per tonne)*	**10,191**	10,945	-6.9%

ENGINEERING TECHNOLOGY SERVICE SEGMENT

	For the year ended 31 December		
	2021	2020	Growth rate
Engineering service income *(RMB in millions)*	**46,905.5**	39,915.0	17.5%

Chairman's Statement

Dear shareholders

The year 2021 was an extraordinary and tough year. In the face of complex environment abroad and numerous risks and challenges, China adhered to the general keynote of seeking progress in a stable manner, coordinated prevention and control of pandemic and the development of economy and society, continued to recover the national economy, took a new step in building a new development pattern, and achieved a good start of the 14th Five-Year Plan. The GDP was RMB114.37 trillion, representing a year-on-year increase of 8.1% and a record high in the past 10 years.

Mr. Zhou Yuxian
Chairman
Executive Director

Chairman's Statement *(Continued)*

In 2021, the Group overcame the challenges brought about by the impact of the global pandemic, divergence of product demand, rise in factor costs and tightening of energy consumption control, adhered to lawful and compliant operation, and steadfastly sought for progress and improved quality in the midst of stability, thoroughly implementing the guiding principles of "4335", continuing to promote the optimization of the main business structure, operation and management, capital operation, innovation and transformation, deepening reform and Party construction. The main business structure has been continuously optimized, the role of basic building materials as the "ballast stone" has been strengthened, the efficiency support of new materials has been constantly improved, and the engineering technical services made steady improvement; strived for excellence in the "management of three delicacies", continuously improved management efficiency by benchmarking against top enterprises in the world. The result of capital operation is highly effective and fruitful. The business integration of the cement and engineering technical services segments made significant progress, and the Company became the largest A-share listed company in its sub-segment business, and conducted equity operation according to the regulations, with full-circulation shares listed on the Stock Exchange. The Group promoted innovation and transformation simultaneously and made significant breakthroughs in technologies bottleneck, deepened the integration of innovation chains, advanced business model innovation, and accelerated green and low-carbon transformation; deepened reforms and formed a new situation, comprehensively pushed forward the three-year action of state-owned enterprise reform, and continuously improved the modern enterprise system with Chinese characteristics; strengthened the Party's construction in all aspects, and deeply integrated with business operation. The advantages of Party building was converted to the efficiency of governance, guiding high quality development with high quality Party building. The Group's consolidated operating revenue for the year 2021 was RMB273,683 million, representing a year-on-year increase of 7.4%. Profit attributable to equity owners of the Company amounted to RMB16,218 million, representing a year-on-year increase of 29.1%.

Over the past year, with the trust and support of our shareholders, the Board has actively exerted the functions of setting strategies, making decisions and preventing risks, and the management of the Company, together with all staff members, worked hard and concentrated their efforts to tackle difficulties, seeking progress and improving quality in the midst of stability, so that the hard-won achievements can be earned. On behalf of the Board, I am pleased to present the 2021 Annual Report and the Group's major results for the year to shareholders for their review. I would also like to express my sincere gratitude to all parties concerned for their long-standing interest in and support for the development of the Company.

In 2022, from the international point of view, the changes and the pandemic is unseen in a century, the external environment being severe and complex, the world economy is expected to recover and maintain the growth, but the characteristics of instability, uncertainty and imbalance are prominent; from the domestic point of view, the Chinese government adheres to prioritizing stability and seeking progress while maintaining stability, puts stable growth in a more prominent position and implements forward looking policies. The economy in China is resilient and has great potential, and the fundamentals of China's positive long-term economic prospects will be maintained. From the industry point of view, it is in a critical period of transformation and development, and the new concept and new goals of "skilled in business and products for the benefit of mankind" lead the industry to a new stage of high-quality development.

The year 2022 is a critical year for the 14th Five-Year Plan and a critical year for the Group's reform and development. Combining the new situation and new tasks, the Group will drive development by innovation, empower development by reform, promote development by internationalization and lead development by Party building. Combining steady growth with high-quality development, the Group will strengthen the main business, improve the level of internationalization, and further promote the integration of sectors; strengthen scientific and technological research, accelerate green development, and do a good job in digital transformation; deepen reform, enhance vitality, and stimulate high-quality development momentum; strengthen value management, release the overall value of listed companies, and tell the story of the industry; comprehensively improve the quality of Party building work, promote the deep integration of Party building and management, and adhere to comprehensive and strict governance of the Party. The Group will comprehensively promote high-quality development, give full play to the role of "ballast stone" and pillars, accelerate the construction of a world-class materials enterprise, strive for value creation and shareholders' returns, and demonstrate the responsibility and commitment of a central enterprise in the new road of catching up with the second centenary goal.

Zhou Yuxian
Chairman

Beijing, the PRC
25 March 2022

Management Discussion and Analysis

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group of 31 December 2021 are summarized as follows:

Business segments	Major products and services	Major operating entities	Direct and indirect equity interests attributable to the Company
Basic building materials	Cement	New Tianshan Cement	87.70%
	Commercial concrete	North Cement	74.60%
	Aggregate	Ningxia Building Materials	47.56%
		Qilianshan	25.04%
New materials	Gypsum board	BNBM	37.83%
	Glass fiber	China Jushi	26.97%
	Wind power blade	Sinoma Science & Technology	60.24%
	Lithium battery separator	China Composites	100%
	Waterproof	Sinoma Advanced	99.65%
	Carbon fiber		
	Advanced ceramics		
Engineering technical services	Cemenet and mining technical equipment and engineering services	Sinoma International	48.78%

Notes:

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

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

3. The Company directly held 70% equity interest of North Cement and indirectly held 4.6% equity interest of North Cement through South Cement.

4. Upon completion of the integration of the cement business segment, the Company held 87.70% equity interest in New Tianshan Cement. During the period from 11 to 13 January 2022, New Tianshan Cement issued and allotted 314,616,887 subscription shares to independent subscribers, which were listed on the Shenzhen Stock Exchange on 25 February 2022. After the issuance of the additional shares, the Company's equity interest in New Tianshan Cement was reduced from 87.70% to 84.52%.

5. Subsidiaries of New Tianshan Cement based on administrative divisions are divided into 14 regional companies.

6. The Company proposed to increase its shareholding in Qilianshan during the six-month period from 18 March 2022 with its self-owned funds. Before implementing the shareholding increase plan, the Company indirectly held 11.80% equity interest in Qilianshan through Qilianshan Holdings, and the Company directly held 13.24% equity interest in Qilianshan Holdings. As at 29 March 2022, the Company increased its shareholding of 13,100,000 shares in aggregate to Qilianshan through the Shanghai Stock Exchange trading system, resulted the Company holding 14.93% equity interest in Qilianshan directly.

7. The Company proposed to increase its shareholding in Ningxia Building Materials during the six-month period from 21 March 2022 with its self-owned funds. Before implementing the shareholding increase plan, the Company held 47.56% equity interest in Ningxia Building Materials. As at 29 March 2022, the Company increased its shareholding of 7,061,810 shares in aggregate to Ningxia Building Materials through the Shanghai Stock Exchange trading system, resulted the Company holding 49.03% equity interest in Ningxia Building Materials.

Mr. Chang Zhangli
President
Executive Director

DEVELOPMENT ENVIRONMENT

In 2021, in the face of the complex and severe international environment and numerous risks and challenges, the Chinese government strengthened the cross-cycle adjustment of macroeconomic policies, increased the support for the real economy, sustained the recovery of the national economy, and completed the main objectives and assignments for the year. A further step for establishment of new development pattern was made, and new results were achieved in high-quality development. The national economy has made a good start to the 14th Five-Year Plan. Fixed asset investment in 2021 amounted to RMB54.45 trillion, representing a year-on-year increase of 4.9%, with steady stabilization and resilient development; due to the impact of capital, the growth rate of infrastructure investment and real estate investment slowed down, representing a year-on-year increase of 0.4% and 4.4%, respectively, while infrastructure investment was basically stable, and real estate investment continued to grow in scale. Steady progress has been made in urbanization and the urbanization rate of the resident population will be 64.72% in 2021, representing an increase of 0.83 percentage points from the end of 2020.

The year 2021 is also the first year of China's "Dual Carbon" campaign, which proposes five main objectives: building a green, low-carbon and cyclical economic development system, improving efficiency of energy use, increasing the proportion of non-fossil energy consumption, reducing carbon dioxide emissions, and enhancing the carbon sink capacity of the ecosystem, to ensure that CO_2 Emission peak and carbon neutrality are achieved as scheduled. The dual-carbon target promotes supply-side structural reform and industry transformation, and enters a comprehensive low-carbon green stage of quality development.

OPERATION IN 2021

Basic building materials segment

In 2021, the growth rate of fixed asset investment in China tended to slow down, cement demand showed the characteristics of "high before and low after, pressure intensifies", but still maintained the high level of the platform period, cement production 2.38 billion tonnes, representing a year-on-year decrease of 0.4%; influenced by dual control of energy consumption, electricity production restrictions and rising coal prices, production costs increased. The supply-side structural adjustment such as peak production and industry self-regulation continued to deepen, the trend of cement prices were first depressed and then increased. The total realized profit for the whole industry was RMB169.4 billion, reflecting that there was still resilience although weakened, and the profit was still on a better historical level. The profit structure was optimized and the profit contribution from the northern region increased, especially there is an improvement in the pan-northeastern region, which had been suffering from losses in recent years.

In 2021, the Group determined to implement peak production, industry self-regulation and reduction of volume and replacement, optimize the market ecology through clinker resource control and north-south market connection, and strive to promote the healthy development of the industry. The management of three delicacies achieved remarkable results. The Group implemented lean operation to stabilize efficiency, deeply implement the operating concept of "price, cost and profit", and stabilize the market, expectations and efficiency. The Group continued to reduce costs and increase efficiency through management refinement and improve management efficiency by benchmarking against world-class standards to continuously strengthen its competitiveness; and continue to slim down and strengthen its organization through organizational refinement to improve organizational efficiency and stimulate internal dynamics to stimulate organic momentum. The Group optimized the layout of cement business and promote transformation, upgrade as well as reduction and replacement projects; the Group vigorously developed the "Cement+" business, consolidated the core profit area of the commercial mix business and continued to optimize the distribution; the aggregate business developed rapidly and increased the resource reserves, and will continue to acquire mining rights and invest in relating and ancillary projects. The Group optimized its capital structure, with the joint reorganization of China United Cement and Henan Tongli and the integration of unlisted cement assets with Tianshan Cement as the main entity, to promote the supply-side structural reform of the industry.

The integration of unlisted cement assets with Tianshan Cement as the main entity is the largest share issuance and asset purchase project in the A-share market, creating a cement listed company with the world's largest business scale, a more complete industrial chain and a national layout. The restructuring project was awarded "Outstanding Deal of the Year 2021" by the Business Law. The New Tianshan Cement post-reorganization strengthens market management, gives a synergistic role and reconstructs the original organizational structure, based on the administrative division and the production capacity and market capacity of regional companies and member enterprises. According to the principle of giving priority to the market and efficiency, the management structure consisting of "listed company – regional companies – member enterprises" was established, and 14 regional companies are divided, including 10 integrated companies for cement, commercial mix and aggregate business, and 4 specialized companies for commercial mix and aggregate and special cement business. The Company also formulated the development of market area demarcation and construction management system to optimize the market layout, rationalize allocation of resources, and strengthen the core market construction.

New materials segment

Gypsum board

In 2021, with the advancement of industrialization and urbanization, the renovation of existing buildings, the promotion of prefabricated buildings, and the implementation of the national green development concept, the overall market supply and demand of gypsum board remained stable, with a slight increase in production and sales. Due to the continuous high prices of coal, gypsum, protective paper and other major raw materials and energy, the production cost of gypsum board rose, resulting in higher market prices. The leading enterprises relied on innovation and national distribution advantages to further strengthen brand, technology, market share and other competitive advantages.

BNBM actively promoted the implementation of the strategy of “One Body, Two Wings and Global Layout”, and the main products achieved the increase in volume and price. The gypsum board business continued to consolidate its business advantages, accelerated the development of keel and other “gypsum board +” business, further improved and expanded the global original Luban universal board whole house assembly system; further promoted the “50-man factories, 80-man bases”. The global deployment progressed smoothly, the production and sales of the base in Tanzania were flourishing, and the new production line projects were completed and put into operation. The production line in Uzbekistan was under construction, and the global deployment in Asia, Africa and Europe has taken initial shape. In 2021, BNBM was awarded the “State-owned Key Enterprise Management Enhancement Benchmarking and Innovation Benchmarking Enterprise” and the only one in the industry to win the Asian Quality Award, the highest award in the field, and an A- rating from S&P, the world’s top rating institution.

Glass fiber

In 2021, the glass fiber industry experienced a high boom in volume and price. The domestic market had strong demand for the main glass fiber downstream applications, and the foreign market was gradually improving with the weakening of the pandemic. The demand continued to increase. The industry’s new production capacity was dominated by the leading enterprises, with limited new supply, and the supply and demand were in a tight balance.

China Jushi continued to optimize its production and sales structure, continuously increased the proportion of high value-added products, and achieved full production and sales, with the best production and sales volume in the history of the same period. The production and sales structure was adjusted precisely and efficiently, taking advantage of the global production and sales layout to seize the opportunities of resuming growth in foreign market to achieve price increase and profits. The proportion of production and sales of high-precision and difficult, green and environmental, special-purpose, high strength and high-modulus products would be steadfastly enhanced, and the performance and sales volume of fine yarn and thin fabric would be continuously improved. The intelligent manufacturing continued to lead the way, with the second line of fine yarn, third line of thick yarn and fourth lines in Tongxiang headquarters intelligent manufacturing base lighting up, and the third line of fine yarn under construction, while the automatic transformation and digital plant construction continued to advance. The level of precise control was continuously improved, and the factory benchmarking competition and world class benchmarking were launched with smart production line and advanced production as the benchmark, and the Company was awarded the “Benchmarking Enterprise of Management Benchmarking Action of State-owned Key Enterprises”.

Taishan Glass Fiber actively expanded the market, conducted precision marketing, continuously optimized the production capacity and product structure, and maximized the production capacity of high value-added products such as staple fiber and composite yarn. The main products increased in volume and price, and the economic indicators have reached a new record high. Taishan Glass Fiber accelerated the layout of new bases, and its Manzhuang New Area F09 line with an annual output of 90,000 tonnes of high-strength and high-modulus glass fiber and Zoucheng's F06 line with an annual output of 60,000 tonnes of fine yarn were put into production within the year. Taishan Glass Fiber insisted on innovation-driven development, steadfastly worked hard in the three industries of "specialty fibers, composite materials and new energy materials", and was awarded the "Manufacturing Industry Champion Demonstration Enterprise" by the MIIT.

Wind power blade

In 2021, on the one hand, due to the shrinking market and rising raw material prices after the "rush installation wave" of wind power blade, the sales volume, price and gross margin of the wind power blade industry have declined, and the competition became severe. On the other hand, the market capacity of wind power blades would be further enlarged under the guidance of the "Dual Carbon" target, and various national ministries and commissions would issue a number of industry policies to guide the orderly development of the wind power industry.

Sinoma's wind blades strengthened market analysis and research, promptly responded to the market demand, launched 80.5, 80.8 and other leading products, and simultaneously grasped the offshore wind power market, maintaining a leading market share in China; accelerated the construction of international and domestic base projects and industrial layout, with the first overseas project of 260 sets of wind power blade manufacturing base in Brazil, and the first offshore project of annual production of 200 sets of offshore wind power blade base in Yangjiang successively approved, and the deployment of two onshore wind power bases was launched simultaneously.

China Composite has taken an active role in the business layout focusing on the main businesses, continuously improved its core competitiveness, achieved significant year-on-year growth in the sales volume of offshore wind power blades, and took multiple measures to reduce unit energy consumption and costs through raw material substitution, cost and tender control. China Composite put scientific and technological innovation in the first place, and promoted self-reliance and self-improvement. "A manufacturing method for the root of megawatt-class wind turbine blades" was selected for the China Patent Award of Excellence, and we jointly undertook the project of "100-meter-class flexible wind turbine blades key technology research and application demonstration".

Lithium battery separator

In 2021, benefiting from the continued high growth in downstream new energy vehicle sales and the explosive growth of the energy storage market, the separator market demand was growing rapidly. Driven by high demand expectations, lithium battery enterprises expanded production capacity growth rate. The domestic separator market continued to be in a tight supply-demand balance, with prices gradually entering a stable state. Product costs increased due to retreat of subsidies policy, energy shortages, labor costs and other impacts.

Sinoma Lithium Membrane was simultaneously driven by the three wheels of "business integration, project construction, and production and operation", and the growth trend further emerged. Sinoma Lithium Membrane improved profitability through leaner operations, with significant year-on-year growth in sales volume and A-product production, Sinoma Lithium Membrane completed the integration of assets with Hunan Chinaly, rationalized the management mechanism, realized the unification of objectives, team and culture, and further improved management efficiency; adjusted customer and product mix, and continued to increase the proportion of coated products. Sinoma Lithium Membrane further promoted cooperation with strategic customers, expanded overseas market, and continued to increase exports. Nanjing, Inner Mongolia and Tengzhou base new projects were promoted in an orderly manner, with rapid increase in production capacity scale, building the four major "one billion square metre volume" production base in Shandong, Inner Mongolia, Hunan and Nanjing.

Waterproof

In 2021, although the waterproofing industry faced the challenges of stricter environmental protection, industrial transformation, increasing bulk raw materials prices, intensified competition in the industry and slower growth in real estate and infrastructure construction, the industry upgrade, remediation and development of photovoltaic roof drove the opportunity of increasing demand for waterproof materials.

BNBM jointly reorganized Shanghai Terra, the leading enterprise in the eastern part of China to strengthen competitive advantage in East China; Beixin Waterproof Sichuan Meishan Base Project has already in pilot production, further expanded the layout of waterproof material industry, and consolidated the development of new business. Beixin Waterproof Company was established, completed the first stage of integration and reorganization, realized the layout of 15 industrial bases across the nation, and ranked among the leading enterprises specializing in waterproof in China.

Carbon Fiber

In 2021, the carbon fiber market was short of supply. With the technological breakthrough and differential production of domestic carbon fiber, the demand for domestic carbon fiber increased. Affected by the pandemic situation, the growth of domestic demand for carbon fiber was further driven by the increase in installed wind power capacity and the trend of large-sized installation. The 14th Five-Year Plan also provided a favorable policy environment for the development of carbon fiber industry and the progress of carbon fiber manufacturing technology.

China Composites realized booming carbon fiber production and sales, and achieved growth in both volume and price. Targeting at the major national strategic needs of promoting large aircraft and aero-engines, China Composites has promoted the special projects of composite materials for large aircraft, and obtained the qualification of supplier for the fuselage parts of CR929 large aircraft. Zhongfu Shenying has built the largest 10,000-tonne carbon fiber production base in China, with an equipment localization rate of 85%, ensuring the self-independent control of China's carbon fiber supply chain, and it was selected as one of the "Top Ten Super Projects of Central Enterprises in 2021". Zhongfu Shenying carried out equity operation and received approval from CSRC in respect of its registration application for it to be listed on the SSE STAR Market. Innovation and transformation underwent development in the same direction, and major breakthroughs have been made in tackling key technical problems, realizing the design of a single-line annual output of 3,000 tonnes of T700 high-performance carbon fiber production line and self-independent control of a complete set of high-end technologies. Zhongfu Shenying strengthened the sophisticated management, and Zhongfu Shenying's 1,000-tonne new mode application project of carbon fiber intelligent manufacturing successfully passed the acceptance of the MIIT.

Advanced Ceramics

In 2021, with the development of new energy vehicle industry, the demand for silicon nitride ceramic products continued to increase, and silicon nitride ceramic substrates were short of supply. During the commencing year of the 14th Five-Year Plan, the National Grid and the China Southern Power Grid started to construct a number of UHV DC grid projects and carry out research on a number of further ones as pipeline projects, with an estimated additional transmission capacity of 56 million kilowatts which could boost the demand for electric ceramic products.

In terms of nitride ceramics, after the completion of the first phase of 50 tonnes of silicon nitride ceramic products production line, the production and sales volume doubled compared with the same period last year; the Company took the lead in China to realize the mass production of G3 ceramic balls below the diameter of 12 mm, solving the problem that high-end silicon nitride bearing balls completely relied on imports; high-temperature silicon nitride ceramic spring achieved from scratch to manufacturing domestically, which could be comparable to similar foreign products; focusing on the constriction of grids, the Company independently developed dry-process fine and high rod-shaped ceramic insulator products, reaching the international and domestic advanced leading level, and successfully entered the international market. Boron nitride fiber broke through the key technology of kilometer organic continuous fiber engineering, completed the design of the first tonnage-level boron nitride ceramic fiber production line in China, and the completed sets of technologies are independently controllable.

Engineering Technical Services Segment

Cement and mining technical equipment and engineering services

In 2021, under the background of CO_2 Emission peak and carbon neturality in the domestic market, "high-end, intelligent and green" has become a major trend in the development of the cement industry, demands for improvement of quality and efficiency, the reduction and replacement and technological transformation of green intelligence and improving quality and enhancing efficiency continued to be released. In the overseas market, although there were still great uncertainties about the pandemic, with the large-scale vaccination, the impact of the pandemic has gradually weakened, and the owners' willingness to invest has gradually recovered.

Sinoma International coordinated pandemic prevention and control, production and management, with newly signed contracts at a new record high; the reorganization completed smoothly, and the Company integrated cement mine engineering and mining service assets, promoted the value reshaping and optimized portfolios of the engineering and technical services industry chain, and continued to improve the brand value; the innovation and transformation developed in the same direction, and the Company continued to promote the digital and intelligent transformation, and created a new intelligent manufacturing benchmarking project based on projects including Huaikan South Cement and Yushan South. Its affliated Tianjin Institute has been selected into the List of Excellent Scenes of Intelligent Manufacturing by the MIIT; the Company carried out in-depth research on carbon emission reduction technology in the cement industry, built a digital platform for the whole process of cement carbon emissions, released a carbon footprint accounting platform for building materials equipment products, and initiated a major scientific research project on CCUS oxygen combustion; the Company deeply explored the localized operation, rolled out its presence in 8 major regions globally, built 14 regional management centers in various places, with newly signed diversified project contracts, representing a year-on-year growth of 43%, and the Comapny jointly promoted investment projects with enterprises within the Group such as plasterboard in Thailand and wind power blades in Brazil, and persistently carried out the building of international talent pool, employing about 1,800 long-term employees overseas, representing a year-on-year growth of 19%.

REFORM

The Company continued to improve the modern enterprise system with Chinese characteristics and form a long-term mechanism through riding on the three-year campaign to reform state-owned enterprises and reform-empowered development, continued to stimulate activities to release driving forces and improve the efficiency and effectiveness of enterprises, and closely combined the reform with the construction of world-class material enterprises so as to enhance the comprehensive effectiveness of the reform.

Improving the corporate governance mechanism. The Company constantly improved the construction of the Board and raised the level of standardized operation. The construction of the Board at all levels have been completed, with the majority of the members comprising external directors, steadily carried out hierarchical and classified authorization management, and the important subsidiaries made plans for the implementation of the functions and powers of the Board to give full play to the role of the Board as the business decision making body; the Company further promoted the release of authorization of state-owned and relatively controlled mixed-ownership enterprises, and implemented differentiated market-oriented control in two mixed ownership enterprises pilots, namely China Jushi and Sinoma Dazhuang, in order to improve the efficiency and effectiveness of enterprises through adopting effective corporate governance procedures; the Company strengthened the supervision mechanism of the operation of the Board and continued to improve the standard operation level, with New Tianshan Cement and Zhongfu Shenying carrying out the pilot work of the function of non-public shareholders, and BNBM introducing representatives of non-public shareholders to the Board.

Further improving the market-oriented operation mechanism. The Company completed the tenure system and contractual management of manager at all levels; comprehensively promoted the Three-System Reform, which meant the management can get promoted or demoted, employees can be employed or dismissed, and income can be increased or decreased, so as to promote the market-oriented employment; Sinoma International promoted pilot of implementation of the professional manager system of senior management; the Company carried out innovation on the collaboratve work mechanism of full-time directors and independent directors.

Accelerating the improvement and development of a multi-level incentive system. The Company deeply promoted the medium and long term incentive mechanism, established diversified incentive mechanism, such as equity incentive of the listed companies, equity incentive of technological companies, employee shareholding, mixed-ownership enterprises, project dividends, posts dividends in science and technology enterprises so as to activate motivation and vitality through mechanism. In 2021, China Jushi and enterprises in Xinjiang area of New Tianshan Cement carried out sharing of excess profits; Sinoma International was the first to explore the whole process of the option incentive model, initiated a new phase of restricted share incentive scheme and implemented sharing of excess profits and posts dividends in science and technology enterprises for its affiliated companies.

Continuing the deepening the “Double Hundred” and technologically-reformed demonstration enterprise pilot. In 2021, Saima IOT was newly listed in the “Pilot Enterprise of Double Hundred Enterprise” and the list of “Technologically-reformed Demonstration Enterprise” was extended to add four newly listed enterprises, namely, TCDRI, Industrial Ceramics Institute, Suzhou Nonmetallic Minerals and NRDI. As at the date of this report, a total of four enterprises of the Company was included in the “Double Hundred Enterprise Action” and five enterprises were in “Technologically-reformed Demonstration Enterprise”; the Company comprehensively promoted the action of three-year campaign to reform state-owned enterprises, and focused on the results of special reform in each stage. Saima IOT completed capital increase, and established co-investment incentive mechanism for innovative business projects; Beijing FRP Institute has implemented equity incentives in the mode of “equity award + equity sale”.

INNOVATION-DRIVEN AND GREEN DEVELOPMENT

The Group adhered to putting innovation as the core, focused on the “four aspects”, promoted science and technology self-reliance, built a green manufacturing system, helped achieve the “Dual Carbon” target, accelerated the digital transformation of enterprises so as to promote the sustainable and high-quality development of the Group.

Serving the major strategy of the nation. The Company continued to strengthen problem-tacking of the key core technologies, and a large number of new materials and technologies have been successfully applied in aerospace, national defense, military industry, water dam and other major national projects, independently developed heat-proof materials, high-tenacity yarn and special coatings which have been successfully applied in key parts of Shenzhou XII and Shenzhou XIII manned spacecrafts; low heat cement consolidated Baihetan Hydropower Station to build safe barrier, and the special cement for the Sichuan-Tibet Line project has passed the trial verification; Xining 10,000-tonne of carbon fiber base has been successfully put into operation, which signified that the domestic carbon fiber has entered a new era of high-quality development; green building materials and hydrogen energy products contributed to the Beijing Winter Olympic Games.

Always adhering to being driven by innovation. The Company improved core competitiveness through technological innovation, improved quality, reduced costs and increased efficiency through management innovation, promoted mutual-benefit results for stakeholders through business models innovation, activated vitality and continuous momentum of development through system and mechanism innovation. The Company constantly enhanced the input of research and development, strengthened problem-tackling of science and technology, strived to create the source base of original technologies, promoted the deep integration of the innovation chain and industrial chain, and vigorously promoted the application and promotion of “cement +” mode and “Finding Car” intelligent logistics platform; as at the end of 2021, there were a total of 11,000 valid patents, and the Company won 8 national science and technology-related awards and 2 individual champions of the manufacturing industry.

Promoting the development of green carbon. The Company deeply studied the path of “Dual Carbon”, conducted in-depth cooperation with domestic and foreign first-class enterprises in many fields, such as new energy, “zero carbon” logistics, “zero electricity” mines and factories, and strengthened the problem-tackling of key core technologies related to green carbon development, and the comprehensive coal consumption per tonne of cement and clinker decreased by 0.6 kg of standard coal per tonne year on year, nitrogen oxide emissions decreased by 15.49% year on year, and sulfur dioxide emissions decreased by 16.01% year on year, and industrial dust emissions decreased by 37.62% year on year. The Company commenced the construction of CCUS carbon capture demonstration production line; built the pilot application of “digital carbon emissions assessment platform”; constantly promoted the technological innovation and engineering application on co-disposal of cement kiln, with a total of 44 co-disposal projects being put into production, and the annual disposal capacity reached 4.22 million tonnes; the Company vigorously established green factories and green mines. As at the end of 2021, the Company established 44 national level green mines and 75 green mines at other level. The Company has 83 national level green plants and 59 provincial level green plants.

Digital-transformation empowered development. The Company actively carried out capacity-building and integration to support service networking, informatization of operation and management, and digitization of production and manufacturing, promoted the deep integration of industrialization and informatization, and continuously strengthened the digital transformation of products and services, with intelligent manufacturing as the main direction, the Company sped up the construction of intelligent factories, digital workshops and other intelligent sites, and accelerated the transformation of industrialized digital and digital industrialization As at the end of 2021, a total of 92 enterprises have implemented the integration of informatization and industrialization, and 39 intelligent production lines for cement and glass fiber have been built.

FINANCIAL REVIEW

The revenue of the Group increased by 7.4% from RMB254,842.7 million in 2020 to RMB273,683.4 million in 2021. The profit attributable to equity holders of the Company increased by 29.1% from RMB12,562.7 million in 2020 to RMB16,218.4 million in 2021.

Revenue

Our revenue in 2021 amounted to RMB273,683.4 million, representing an increase of 7.4% from RMB254,842.7 million in 2020. This was primarily due to an increase of RMB7,728.3 million in the revenue of the Group's basic building materials segment, an increase of RMB6,990.5 million in the revenue of the engineering technical services segment, and an increase of RMB3,894.2 million in the revenue of the new materials segment.

Cost of sales

Our cost of sales in 2021 amounted to RMB208,315.1 million, representing an increase of 10.8% from RMB187,995.5 million in 2020. This was primarily due to an increase of RMB11,620.9 million in the cost of sales of the Group's basic building materials segment, and an increase of RMB5,597.9 million in the cost of sales of the engineering technical services segment and an increase of RMB2,511.1 million in the cost of sales of the new material segment.

Other income

Other income of the Group increased by 22.3% from RMB5,335.9 million in 2020 to RMB6,525.4 million in 2021. This was primarily due to an increase of RMB527.8 million in compensation income and the increase of RMB475.5 million in gain on disposal of subsidiaries, but which was partially offset by the decrease of RMB196.2 million in the VAT returns.

Selling and distribution costs

Selling and distribution costs decreased by 0.4% to RMB4,836.2 million in 2021 from RMB4,857.7 million in 2020. This was primarily due to a decrease of RMB63.7 million in depreciation expense of fixed assets.

FINANCIAL REVIEW *(CONTINUED)*

Administrative expenses

Administrative expenses decreased by 6.0% to RMB28,605.5 million in 2021 from RMB30,442.3 million in 2020. This was primarily due to the decrease of RMB2,665.8 million in allowances for impairment of property, plant and equipment, the decrease of RMB1,347.6 million in allowances for impairment of goodwill, which was partially offset by an increase of RMB1,513.8 million in R&D fee.

Finance costs

Finance costs increased by 2.2% to RMB7,236.0 million in 2021 from RMB7,079.1 million in 2020.

Share of profit of associates

The Group's share of profit of associates increased by 22.9% to RMB4,023.2 million in 2021 from RMB3,273.0 million in 2020, primarily due to an increase in the profit of China Jushi, one of our associates.

Provision under expected credit losses

The provision under expected credit losses decreased by 45.4% to RMB1,647.2 million in 2021 from RMB3,018.0 million in 2020.

Income tax expense

Income tax expense decreased by 5.1% to RMB7,968.6 million in 2021 from RMB8,395.9 million in 2020.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 6.1% to RMB8,606.0 million in 2021 from RMB8,109.9 million in 2020. This was primarily due to the increase in operating profit of the new materials segment and the engineering technical services segment of the Group.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 29.1% to RMB16,218.4 million in 2021 from RMB12,562.7 million in 2020. Net profit margin increased to 5.9% in 2021 from 4.9% in 2020.

FINANCIAL REVIEW *(CONTINUED)*

Basic building materials segment

Revenue

Revenue of basic building materials segment of the Group in 2021 amounted to RMB187,602.5 million, representing an increase of 4.3% from RMB179,874.2 million in 2020, mainly attributable to the increase in the average selling price of cement products and the increase in the sales volumes of aggregate, partially offset by the decrease in the sales volumes of cement products and the decrease in the average selling price of aggregate.

Cost of sales

Cost of sales of basic building materials segment of the Group in 2021 amounted to RMB142,502.3 million, representing an increase of 8.9% from RMB130,881.4 million in 2020, mainly attributable to the increase in coal price and the increase in the sales volumes of aggregate, partially offset by the decrease in the sales volumes of cement products.

Gross profit and gross profit margin

Gross profit of basic building materials segment of the Group decreased by 7.9% to RMB45,100.2 million in 2021 from RMB48,992.8 million in 2020. Gross profit margin of the basic building materials segment of the Group decreased from 27.2% in 2020 to 24.0% in 2021. The decrease in gross profit margin was mainly due to the increase in coal price and the decrease in the average selling price of aggregate, partially offset by the increase in the average selling price of cement products.

Operating profit

Operating profit of basic building materials segment of the Group decreased by 0.5% to RMB26,043.3 million in 2021 from RMB26,184.4 million in 2020. Operating profit margin of the basic building materials segment of the Group decreased from 14.6% in 2020 to 13.9% in 2021. The decrease in operating profit margin was primarily due to the decrease in gross profit margin, the increase in R&D expenses, and the decrease in gains on disposal of assets, partially offset by the decrease in allowances for impairment of property, plant and equipment, decrease in allowances for impairment of goodwill as well as decrease in allowances for impairment of receivables.

FINANCIAL REVIEW *(CONTINUED)*

New materials segment

Revenue

Revenue of new materials segment of the Group increased by 9.3% to RMB45,584.4 million in 2021 from RMB41,690.2 million in 2020. This was mainly attributable to the increase in the average selling price and sales volumes of gypsum board, glass fiber yarn and lithium battery separator, partially offset by the decrease in the average selling price and sales volumes of wind power blade.

Cost of sales

Cost of sales of new materials segment of the Group increased by 8.3% to RMB32,930.8 million in 2021 from RMB30,419.7 million in 2020, mainly attributable to the increase in the sales volume of gypsum board, glass fiber yarn and lithium battery separator, the increase in the raw material price and the increase in the coal price, partially offset by the decrease in the sales volumes of wind power blade.

Gross profit and gross profit margin

Gross profit of new materials segment of the Group increased by 12.3% to RMB12,653.6 million in 2021 from RMB11,270.5 million in 2020. Gross profit margin of new materials segment of the Group increased to 27.8% in 2021 from 27.0% in 2020. The increase in gross profit margin was mainly attributable to the increase in the average selling price of gypsum board and glass fiber yarn, partially offset by the decrease in the average selling price of wind power blade, the increase in the raw material price and the increase in the coal price.

Operating profit

Operating profit of new materials segment of the Group increased by 27.2% to RMB8,513.7 million in 2021 from RMB6,695.2 million in 2020. The operating profit margin of new materials segment of the Group increased to 18.7% in 2021 from 16.1% in 2020, mainly attributable to the increase in gross profit margin, the increase in the gain on disposal of assets, and the decrease in allowances for impairment of property, plant and equipment, partially offset by the increase in R&D expenses.

FINANCIAL REVIEW *(CONTINUED)*

Engineering technical services segment

Revenue

Revenue of engineering technical services segment of the Group increased by 17.5% to RMB46,905.5 million in 2021 from RMB39,915.0 million in 2020, mainly attributable to the increase in completed construction services in the year.

Cost of sales

Cost of sales of engineering technical services segment of the Group increased by 16.8% to RMB38,900.6 million in 2021 from RMB33,302.7 million in 2020, mainly attributable to the increase in completed construction services in the year.

Gross profit and gross profit margin

Gross profit of engineering technical services segment of the Group increased by 21.1% to RMB8,004.9 million in 2021 from RMB6,612.3 million in 2020. Gross profit margin of engineering technical services segment of the Group increased to 17.1% in 2021 from 16.6% in 2020, mainly attributable to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit of engineering technical services segment of the Group increased by 25.6% to RMB2,739.8 million in 2021 from RMB2,180.8 million in 2020. Operating profit margin of engineering technical services segment of the Group increased to 5.8% in 2021 from 5.5% in 2020, mainly attributable to the increase in gross profit margin, as well as the increase in gains on disposal of subsidiaries and the increase in government grants, but partially offset by the increase in R&D expenses.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and financial resources

As at 31 December 2021, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB316,050.1 million in total.

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

	As at 31 December	
	2021	2020 (restated)
	(RMB in millions)	
Bank loans	**107,148.8**	115,781.9
Bonds	**57,988.0**	57,751.8
Borrowings from non-financial institutions	**1,706.7**	1,536.2
Total	**166,843.5**	175,069.9

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

	As at 31 December	
	2021	2020 (restated)
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**73,751.0**	89,684.3
Between one and two years	**38,883.6**	29,822.7
Between two and three years	**31,305.9**	36,685.1
Between three and five years (inclusive of both years)	**12,017.4**	12,340.4
Over five years	**10,885.6**	6,537.4
Total	**166,843.5**	175,069.9

As at 31 December 2021, bank loans in the aggregate amount of RMB4,641.4 million were secured by assets of the Group with a total amount of RMB6,962.3 million.

As at 31 December 2021 and 31 December 2020, the debt to assets ratio of the Group, calculated by dividing borrowings by total of assets of the Group, were 36.1% and 38.3%, respectively.

FINANCIAL REVIEW (CONTINUED)

Exchange Risks

The Group conducts its domestic business primarily in RMB. However, overseas engineering projects and product export business 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.

Capital Commitments

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

	As at 31 December	
	2021	2020 (retated)
	(RMB in millions)	
Capital expenditure of the Group in respect of acquisition of property, plant and equipment (contracted but not provided for)	**1,163.8**	1,068.2

Capital expenditures

The following table sets the our capital expenditures of the Group for the year ended 31 December 2021 by segment:

	For the year ended 31 December 2021	
	(RMB in millions)	% of total
Basic building materials	**24,177.8**	75.3
New materials	**6,168.5**	19.2
Engineering technical services	**1,532.1**	4.8
Others	**214.3**	0.7
Total	**32,092.7**	100.0

FINANCIAL REVIEW (CONTINUED)

Material Investment Plans

As of the date of this report, except for the plans which have been disclosed (to be invested including internal funds and external borrowings) in this report, there are no other future plans for material investments or capital assets.

Cash Flow From Operating Activities

For the year 2021, net cash inflow of the Group generated from operating activities was RMB50,089.5 million. Such net cash inflow was primarily due to RMB56,883.7 million of cash flow from operating activities before the change in working capital, while trade and other payables increased by RMB12,960.6 million, which was partially offset by a total of RMB8,881.9 million for the increase in trade and other receivables, and by a total of RMB2,041.0 million for the increase in inventories.

Cash Flow From Investing Activities

For the year 2021, net cash outflow of the Group to investing activities was RMB35,611.3 million, which was primarily due to the purchase of property, plant and equipment amounting to RMB27,624.7 million in total and purchase of intangible assets amounting to RMB7,965.6 million.

Cash Flow From Financing Activities

For the year 2021, net cash outflow of the Group to financing activities was RMB16,720.7 million, which was primarily due to the repayment of borrowings amounting to RMB136,300.0 million, payment of dividends amounting to RMB8,402.1 million and payment of interest amounting to RMB7,643.7 million. However, such net cash outflow was partially offset by a total of RMB141,789.2 million for new borrowings.

OUTLOOK FOR 2022

The year 2022 is the key year of the 14th Five-Year Plan and a crucial year for comprehensively promoting high-quality development. Despite the complex and serious international environment, the impact of the global pandemic continues, which restricts the growth of investment. The Chinese government will make efforts to adhere to the policies of stability as the paramount consideration, seek progress in the midst of maintaining stability, and moderately carry out infrastructure investment ahead of time. The local governments will speed up the issue of special bonds, investment within the central budget will be accelerated, key projects of the 14th Five-Year Plan will be launched successively, fiscal and monetary investment and other policy support will be increased, and there will be plenty of potential, space and motivation to expand effective investment. At the same time, the dual carbon target will accelerate the industrial restructuring and industrial transformation.

The Group will continue to adhere to the implementation of the "4335" guiding principles, implement new development concepts, build a new development pattern, promote high-quality development, and take solid steps in the process of building a world-class material enterprise. The following work, among others, shall be implemented:

First, achieving progress while maintaining stability. The Group will accurately evaluate the situation, closely track market changes, optimize business strategies in a timely manner, stabilize growth and prevent risks; strengthen management of three successively, vigorously promote digital transformation, create digitalized and intelligent-driven improvement of management; maintain industry ecology, continue to promote the supply-side structural reform of the industry, give full play to the role of central enterprises as "stabilizer" and "ballast stone" of national economy, and promote the high-quality development.

Second, strengthening the main business. The Group will take business integration as an opportunity to further optimize the resource allocation and build the Company into an industrial platform emphasizing on the three major businesses of basic building materials, new materials and engineering technical services, optimize and upgrade basic building materials business, vigorously promote high-end, intelligent and green development, speed up the development of "Cement plus" business, strive to properly roll out "go global" efforts, comprehensively deploy "Dual Carbon" work, and unswervingly promote supply-side structural reform; strengthen the excellent and new materials business, and, focusing on high-end orientation, mass production and globalization, build a product portfolio of successive and sustainable development according to the different stages of maturity, expansion and cultivation, so as to enhance the support of income and profits; consolidate and upgrade engineering technical services, promote globalization, localization and diversification, seize the opportunity of "Dual Carbon" policy, and strengthen collaborative innovation in green production, energy saving and consumption reduction, digitalized and intelligent transformation.

Third, innovation transformation. The Group will adhere to the industrialization orientation, speed up the creation of the source base of original technologies, increase the research, application, transformation and promotion of new technologies and strategically-essential materials, transform the breakthroughs at the point into achievements in the chain, and enhance the core competitiveness of leading industries, give full play to the role of central enterprises as the main force, and continue to promote scientific and technological self-reliance, as well as the transformation and internationalization of green and low-carbon.

Fourth, deepening reform. The Group will comprehensively promote the implementation of the task of reform, upgrade the modern corporate governance mechanism, prudently enhance the construction of the Board, deepen the reform of the market-oriented management mechanism, form a long-term mechanism for reform, continue to stimulate vitality and release driving forces; focus on scientific research, technology, management and other talented personnel, and increase the intensity and coverage of medium and long-term incentives to stimulate high-quality development momentum.

Fifth, strengthening value management. Adhering to the value management concept centered on enhancing intrinsic value, the Group will further promote capital operation, actively enhance the business integration of the new materials segment and persisitently carry out the coordination between the industrial market and the capital market. The parent company will strive to incubate and cultivate high-quality assets, integrate them by leveraging the platform of listed companies, and continuously improve the value creation capability of listed companies to release the overall value.

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, revised and improved various internal systems, and built a coordinated operation mechanism for compliance, internal control and risk management. The Board of Directors, the Supervisory Committee and the management perform their respective duties in accordance with the law and diligently fulfill their responsibilities to ensure the Company's steady and compliant operations, continuously improve the level of corporate governance, and focus on realizing the long-term interests of the Company.

The Company complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021, except for Code Provision A.4.2 (now re-arranged as B.2.2), which the Company has complied with since 19 November 2021.

According to Code Provision A.4.2 (now re-arranged as B.2.2), every Director should be subject to retirement by rotation at least once every three years. The former Directors of the previous fourth session of the Board who were first elected on 27 May 2016 were subject to retirement by rotation by 27 May 2019.

However, as it affected the entire Board, many factors must be considered to ensure the smooth continuation of the senior management of the Company. Therefore, the Company had not completed the retirement by rotation with regard to some members of the fourth session of the Board until 19 November 2021. On 19 November 2021, the current fifth session of the Board was elected, and the retirement by rotation as required by Code Provision A.4.2 (now re-arranged as B.2.2) was completed.

Certain changes to the Directors of the fourth session of the Board had already taken effect before the appointment of the fifth session of the Board on 19 November 2021. The changes are set out below:

On 13 June 2018, Mr. Song Zhiping and Mr. Guo Chaomin ceased to be Directors. 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, with effect from 9 December 2019. Mr. Qian Fengsheng resigned as an independent non-executive Director for personal reasons, with effect from 22 May 2020. Shareholders elected Mr. Fu Jinguang as an executive Director at the 2020 first Extraordinary General Meeting held on 24 September 2020. Mr. Cao Jianglin, due to work adjustment, resigned as the Chairman of the Company and an executive Director, with effect from 21 October 2021.

Currently, the Company has completed the process of the change of session of the Board. The relevant resolutions for the election of the Board were considered and approved at the forty-forth interim meeting of the fourth session of the Board held on 29 October 2021. The resolutions for the election of the fifth session of the Board were considered and approved at the 2021 second Extraordinary General Meeting held on 19 November 2021. The term of the fifth session of the Board of the Company shall be three years, commencing from 19 November 2021.

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 2021, the Board of the Company held 16 plenary Board meetings to consider and determine various matters including overall corporate strategy, major investments and financing activities and personnel appointments and removals. All the then 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 2021 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						
Zhou Yuxian[1] *(Chairman)*	2/2	0/0	2/2	0/0	–	1/1
Chang Zhangli	16/16	1/1	–	–	–	4/4
Fu Jinguang	16/16	–	–	–	–	4/4
Xiao Jiaxiang[1]	2/2	–	–	–	–	1/1
Wang Bing[1]	2/2	–	–	–	–	1/1
Non-executive Directors						
Li Xinhua[1]	2/2	0/0	–	–	–	1/1
Wang Yumeng[1]	2/2	–	–	–	–	1/1
Peng Shou	16/16	–	–	–	–	4/4
Shen Yungang	16/16	–	–	–	–	4/4
Fan Xiaoyan	16/16	–	–	–	–	4/4

II. THE BOARD *(CONTINUED)*

	Meetings attended/held					
Name	**The Board**	**The Strategic Steering Committee**	**The Nomination Committee**	**The Remuneration and Performance Appraisal Committee**	**The Audit Committee**	**Shareholders' Meetings**
Independent Non-executive Directors						
Sun Yanjun	16/16	–	8/8	2/2	–	4/4
Liu Jianwen	16/16	–	8/8	–	2/2	4/4
Zhou Fangsheng	16/16	1/1	–	2/2	–	4/4
Li Jun	16/16	–	–	–	2/2	4/4
Xia Xue	16/16	–	–	–	2/2	4/4
Former Directors						
Cao Jianglin[2]	12/12	1/1	5/5	1/1	–	2/2
Cui Xingtai[3]	14/14	–	–	–	–	3/3
Zhan Yanjing[3]	14/14	–	–	–	–	3/3
Tao Zheng[3]	14/14	–	–	–	–	3/3
Chen Yongxin[3]	14/14	–	–	–	–	3/3

Note:

1. Mr. Zhou Yuxian, Mr. Xiao Jiaxiang, Mr. Wang Bing, Mr. Li Xinhua and Mr. Wang Yumeng were appointed as Directors of the fifth session of the Board at the 2021 second Extraordinary General Meeting held on 19 November 2021. During their terms of office until 31 December 2021, the Board held two Board meetings and the Company held one Shareholders' meeting.

2. Mr. Cao Jianglin resigned as the Chairman and an executive Director due to work adjustment, with effect from 21 October 2021. During his term of office in 2021, the Board held 12 Board meetings and the Company held two Shareholders' meetings.

3. Mr. Cui Xingtai, Ms. Zhan Yanjing, Mr. Tao Zheng and Mr. Chen Yongxin retired as Directors of the fourth session of the Board with effect from the approval by Shareholders of the appointment of the Directors of the fifth session of the Board at the 2021 second Extraordinary General Meeting held on 19 November 2021. During their terms of office in 2021, the Board held 14 Board meetings and the Company held three Shareholders' meetings.

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, actively participates in continuous training, and ensures the Company's effective operation through making well-informed and scientific decisions and standardized and effective operation.

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.

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, Rules of Procedure for Board Meetings, and the Terms of Reference for the Nomination Committee. 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.

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

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.

Based on the real-time understanding of the Company's business 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, Board affairs, information disclosure, macro-economy and industry situations, reform of state-owned enterprises, stock price performance of the Company, investor communication and analysis on the Company's results conducted by analysts, etc. 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. All Directors (including the current executive Directors, namely Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Fu Jinguang, Mr. Xiao Jiaxiang and Mr. Wang Bing; the non-executive Directors, namely Mr. Li Xinhua, Mr. Wang Yumeng, Mr. Peng Shou, Mr. Shen Yungang and Ms. Fan Xiaoyan; the independent non-executive Directors, namely Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue; and the former executive Directors, namely Mr. Cao Jianglin and Mr. Cui Xingtai; and the former non-executive Directors, namely Ms. Zhan Yanjing, Mr. Tao Zheng and Mr. Chen Yongxin) have obtained the aforementioned relevant information for the corresponding period during their tenure.

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

In 2021, the Parent and the Company took the opportunity of convening party committee meetings on a number of occasions to organize the members of the party committee (including the current executive Directors, namely Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Fu Jinguang, Mr. Xiao Jiaxiang and Mr. Wang Bing; the non-executive Directors, namely Mr. Li Xinhua, Mr. Wang Yumeng and Mr. Peng Shou; and the former Directors, namely Mr. Cao Jianglin, Mr. Cui Xingtai and Ms. Zhan Yanjing) to systematically and thoroughly study Xi Jinping's thoughts on the rule of law. During 2021, Ms. Fan Xiaoyan, a non-executive Director, participated in the online training course for directors of state-owned enterprises, the forum on high-quality development of financial services for the real economy, the "Win to Fortune & Wealth Intelligence Integration" bank-enterprise exchange (Jinan) event, and the 2021 foreign exchange market outlook and FICC business seminar, covering macro-economy, investment decision-making, risk control and foreign exchange market, etc.. During 2021, Mr. Li Jun, an independent Director, participated in the second follow-up training for independent directors in 2021 organized by the Shanghai Stock Exchange, and the training on legal responsibility and risk prevention for independent directors of listed companies organized by the China Association for Public Companies; Ms. Xia Xue, an independent Director, participated in the online training for directors and supervisors in Shanghai in 2021 organized by the Shanghai Association for Public Companies. The above trainings are conducive to enhancing the directors' awareness of the rule of law in governing the enterprise in accordance with the law and enhancing their comprehensive ability to perform their duties in accordance with the law.

On 22 December 2021, the Company organized independent non-executive Directors and independent Supervisors to take trips to BNBM and Sinoma International to conduct investigation. They made direct and in-depth understanding and exchanges on the development history, results of operation, internationalization strategy, 14th Five-Year Plan and technological innovation and reform of the relevant companies and their subsidiaries. Affected by the COVID–19 pandemic, the independent non-executive Directors in Beijing, namely Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun, and independent Supervisor 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. Zhou Yuxian is the Chairman, and Mr. Chang Zhangli 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

Before 19 November 2021, the Strategic Steering Committee of the Company comprised three Directors. The first meeting of the fifth session of the Board held on 19 November 2021 considered and approved the proposal in relation to the amendments to the Terms of Reference for the Strategic Steering Committee and re-election of the members of the Company's Strategic Steering Committee. According to the amended Work Rules, the number of members of the Strategic Steering Committee was adjusted from three to four. Currently, the Strategic Steering Committee of the Company comprises four Directors, of whom Mr. Zhou Yuxian is the Chairman and Mr. Li Xinhua, Mr. Chang Zhangli and Mr. Zhou Fangsheng are members. Mr. Zhou Yuxian and Mr. Chang Zhangli are executive Directors, Mr. Li Xinhua is a non-executive Director, and Mr. Zhou Fangsheng is an independent non-executive Director. During 2021, the changes to the composition of the Strategic Steering Committee were as follows: (i) Mr. Zhou Yuxian has become the Chairman and Mr. Li Xinhua has become a member since 19 November 2021; (ii) Mr. Chang Zhangli has become a member since 27 August 2021; (iii) Mr. Cao Jianglin (the former Chairman of the Board and executive Director) served as the Chairman of the Strategic Steering Committee until 21 October 2021; (iv) Mr. Peng Shou (during his tenure as an executive Director) served as a member until 27 August 2021. 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 2021, please refer to the table of the attendance of the Directors during 2021 on pages 50 and 51.

Set out below is a summary of work of the Strategic Steering Committee of the Company during 2021:

The sixth 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 2020 and work arrangements for the year 2021.

The Nomination Committee

Members

The first meeting of the fifth session of the Board convened on 19 November 2021 considered the resolution on the re-election of members of the Nomination Committee of the Company. The Nomination Committee of the Company comprises three Directors, of whom Mr. Sun Yanjun is the Chairman and both Mr. Liu Jianwen and Mr. Zhou Yuxian are members. Mr. Zhou Yuxian is an executive Director and Mr. Sun Yanjun and Mr. Liu Jianwen are independent non-executive Directors, which is in compliance with the requirements under Rule 3.27A of the Listing Rules. Mr. Zhou Yuxian has become a member of the Nomination Committee since 19 November 2021. During 2021, Mr. Cao Jianglin (a former executive Director) served as a member of the Nomination Committee until 21 October 2021.

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

The Nomination Committee *(Continued)*

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.

Duties and Summary of 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; 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; 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 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 2021, please refer to the table of the attendance of the Directors during 2021 on pages 50 and 51. Set out below is a summary of work of the Nomination Committee of the Company during 2021:

The twentieth 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 appointment of the general legal counsel of the Company. The nineteenth, twenty-first to twenty-fourth meetings of the Nomination Committee of the fourth session of the Board and the first meeting of the fifth session of the Nomination Committee of the Board considered and approved the resolutions on the adjustments to the directors and/or supervisors of the subsidiaries of the Company, the appointment of president of the Company and members of Strategic Steering Committee of the Board, the election of the Board of the Company and the appointment of senior management personnel of the Company.

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

Remuneration and Performance Appraisal Committee

Members

The first meeting of the fifth session of the Board convened on 19 November 2021 considered the resolution on the re-election of members of the Remuneration and Performance Appraisal Committee of the Company. The Remuneration and Performance Appraisal Committee of the Company comprises three Directors, namely Mr. Zhou Fangsheng as the Chairman and Mr. Sun Yanjun and Mr. Zhou Yuxian as members. Mr. Zhou Yuxian is an executive Director and Mr. Zhou Fangsheng and Mr. Sun Yanjun are independent non-executive Directors, which is in compliance with the requirements under the Listing Rules. Mr. Zhou Yuxian has become a member of the Remuneration and Performance Appraisal Committee since 19 November 2021. During 2021, Mr. Cao Jianglin (a former executive Director) served as a member of the Remuneration and Performance Appraisal Committee until 21 October 2021. 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-based 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 2021, please refer to the table of the attendance of the Directors during 2021 on pages 50 and 51.

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

Remuneration and Performance Appraisal Committee *(Continued)*

Duties and Summary of Work *(Continued)*

Set out below is a summary of work of the Remuneration and Performance Appraisal Committee of the Company during 2021:

The eighth 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 ninth meeting of the fourth session of the Remuneration and Performance Appraisal Committee of the Board considered and approved the resolutions on the exemption from issuance of notices and all resolution documents prior to meeting and on the fees for the newly-elected Directors.

The remuneration for the Directors of the fourth session of the Board and the Supervisors of the fourth session of the Supervisory Committee are subject to the standards considered and approved at the 2015 Annual General Meeting of the Company convened on 27 May 2016. The remuneration for the Directors of the fifth session of the Board and the Supervisors of the fifth session of the Supervisory Committee are subject to the standards considered and approved at the 2021 second Extraordinary General Meeting convened on 19 November 2021.

The Audit Committee

Members

The first meeting of the fifth session of the Board convened on 19 November 2021 considered the resolution on the re-election of members of the Audit Committee of the Company. The Audit Committee of the Company comprises three Directors, of whom Mr. Li Jun 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. The Audit Committee has reviewed the financial report and results of the Group for the year ended 31 December 2021.

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

The Audit Committee *(Continued)*

Duties and Summary of Work

The specific duties of the Audit Committee include making recommendations on the appointment of external auditors by the Board and supervising their work; supervising the Company's financial reporting procedures and reviewing the financial control system of the Company; supervising the Company's internal control matters and reviewing the results; reviewing the operation, financial and accounting policies and practice of the Company; formulating and reviewing the corporate governance policy and practice of the Company, reviewing the Company's compliance with the Code and its disclosures in the Corporate Governance Report; reviewing and supervising the compliance of the Company and its Directors and senior management with laws and regulations; reviewing and supervising the professional ethics, trainings and continuous professional development of the Directors and senior management. As for the convening of and the attendance of meetings of the Audit Committee in 2021, please refer to the table of the attendance of the Directors during 2021 on pages 50 and 51. 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 2021:

During the Reporting Period, the Audit Committee has operated in accordance with the Code. The Audit Committee issued review opinions on the Company's 2020 annual financial report and 2021 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 of the date of the report, the Audit Committee has reviewed the Group's financial statements and results for the year ended 31 December 2021.

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.

The Parent nominated Mr. Zhou Yuxian, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, Mr. Peng Shou, Mr. Fu Jinguang, Mr. Xiao Jiaxiang, Mr. Wang Bing, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue, Cinda nominated Mr. Shen Yungang, and Taishan Investment nominated Ms. Fan Xiaoyan as candidates for Directors for the fifth session of the Board, in which Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Fu Jinguang, Mr. Xiao Jiaxiang and Mr. Wang Bing were candidates for executive Directors, Mr. Li Xinhua, Mr. Wang Yumeng, Mr. Peng Shou, Mr. Shen Yungang and Ms. Fan Xiaoyan were candidates for non-executive Directors, and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue were candidates for independent non-executive Directors. After approval by the Nomination Committee, it was considered that the above personnel met the criteria and conditions for appointment as Directors of the Company and their nominations were considered and approved at the forty-fourth interim meeting of the fourth session of the Board held on 29 October 2021 and the resolution on the change of session of the Board was considered and approved at the 2021 second Extraordinary General Meeting held on 19 November 2021.

IX. AUDITORS' REMUNERATION

At the thirteenth meeting of the fourth session of the Board convened on 26 March 2021, 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 2021 respectively. The Board was authorized by the Annual General Meeting convened on 14 May 2021 to deal with the appointment of overseas and domestic auditors and to determine their remunerations. During the year, an aggregate of RMB9.77 million was paid by the Company to the auditors for their professional audit services.

During the Reporting Period, the aforesaid auditors did not provide to the Company any significant non-audit services.

X. COMPANY SECRETARY

Mr. Yu Kaijun was a joint company secretary of the Company until his term of office expired with effect from 19 November 2021. 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. Mr. Yu Kaijun has received relevant professional training that meets the requirements of the Listing Rules as the joint company secretary.

On 25 March 2022, the Company convened a board meeting and appointed Ms. Pei Hongyan as the a joint company secretary. 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 Ms. Pei Hongyan's eligibility to act as a joint company secretary of the Company, please refer to the announcement of the Company dated 29 March 2022. The term of office of Ms. Pei Hongyan started from the date of obtaining such waiver (being 29 March 2022) and will be consistent with the term of the fifth session of the Board.

Ms. Lee Mei Yi of Tricor Services Limited, an external service provider, was a joint company secretary of the Company together with Mr. Yu Kaijun before 19 November 2021 and has continued to act as the 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 2021 first Extraordinary General Meeting held on 23 March 2021, the Shareholders considered and approved the ordinary resolution on the restructuring, which involved the disposal by the Company of its equity interests in China United Cement, South Cement, Southwest Cement and Sinoma Cement, respectively, in consideration for the issuance of consideration shares by Tianshan Cement (the "Restructuring of Cement Assets"), and the indicative asset purchase agreement dated 7 August 2020 entered into between the Company and Tianshan Cement in connection with the Restructuring of Cement Assets (together with the supplemental agreement thereto dated 2 March 2021).

At the 2020 Annual General Meeting held on 14 May 2021, six 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.

At the 2021 second Extraordinary General Meeting convened on 19 November 2021, the ordinary resolutions on the proposed election and appointment of Directors of the fifth session of the Board and Supervisors of the fifth session of the Supervisory Committee were considered and approved.

XI. SHAREHOLDERS' MEETINGS *(CONTINUED)*

At the 2021 third Extraordinary General Meeting convened on 30 December 2021, an ordinary resolution in relation to the connected transactions and discloseable transactions of subscription agreement was considered and approved.

According to the Articles of Association of the Company, the Directors may attend the general meetings of the Company and are entitled to sign on the minutes containing the resolution(s) relating to the issue(s) discussed in the meeting(s) they attended. The Company held four Shareholders' general meetings in 2021 (including one Annual General Meeting and three Extraordinary General Meetings). Please refer to the table of the attendance of the Directors during 2021 on pages 50 and 51 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 Shareholder 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 continued to revise and improve the internal system, and optimize the division of authority and responsibility of departments, thus further improve 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.

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.

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

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 (now re-arranged as D.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, organizing relevant subsidiaries listed on the Shanghai Stock Exchange to conduct collective 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 2021 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:

XIV. INVESTOR RELATIONS *(CONTINUED)*

The thirteenth meeting of the fourth session of the Board convened on 26 March 2021 considered and approved 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 Annual General Meeting held on 14 May 2021 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 9 April 2021 and the announcement dated 14 May 2021.

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 2021. For the full version of the Environmental, Social and Governance Report, please refer to the 2021 Environmental, Social and Governance Report of China National Building Material Company Limited which will be published separately in May 2022.

The year 2021 is the opening year of the 14th Five-Year Plan and it is a crucial year for initiating a new journey of building a modern socialism country in an all-round way and marching towards the second Centenary Goal. As a large enterprise with great responsibility in the country, facing the complex and severe external environment and arduous and heavy development tasks, the Group proactively shoulders economic, political, social and national responsibilities to fully guarantee each party's interest and establish the core concept of "Smart Use of Resources to Serve the Industrial Construction" and the core values of "Innovation, Performance, Harmony and Responsibility". The Group spares no efforts to do a good job in work such as pandemic prevention and control, operation management, technological innovation, "Carbon Dioxide Peaking and Carbon Neutrality" targets, and continues to enhance management of environmental, social and governance issues by establishing environmental, social and governance management structure and system, formulating and implementing the Environmental, Social and Governance Working Group Management System, to proactively fulfil corporate social responsibility in an all-round way.

In 2021, the Group was included in the "Central Enterprises' ESG•Pioneer 50 Index", achieved the Second Prize of the Sell-side Company with the Greatest Social Responsibility in the Elementary Raw Materials Section in Asia-Pacific Region elected by institutional investors in 2021 and was awarded as the "Excellent Issuer of Corporate Bonds" and the "Special Award for Pandemic Prevention and Control" of Shanghai Stock Exchange in 2020. Each subsidiary achieved major honorary awards such as the First Prize of the National Technological Improvement, the Second Prize of the Technology Innovation, the 2020 Best Internal Control Award of Listed Companies in Zhejiang, the 2021 Green Factory of Grinding Enterprise in Cement Industry and the Excellent Award of the 22nd China Patent Awards. In addition, each subsidiary was included in various lists, such as the National Model Enterprise of Technology Innovation, the List of 6th Batch of Champion of An Individual Item in Manufacturing Industry, the "Professional, Meticulous, Unique and Innovative" Little Giant Enterprise, the 2021 National "Model and Benchmark" List and the National Green Factory List.

In order to demonstrate the fulfilment of corporate social responsibility of the Group, CNBM continues to publish environmental, social and governance reports, and each subsidiary also gradually complies and publishes environmental, social and governance or corporate social responsibility reports. In the future, the Group will firmly implement the new development concept and continuously promote high-quality development, so as to accelerate the construction of becoming a world-class materials enterprise.

GREEN AND ENVIONRMENTAL PROTECTION

The Group proactively implements the concept that lucid waters and lush mountains are invaluable assets, by protecting lucid waters and lush mountains through green technologies, by cleaning the ecology and environment through green manufacturing, and by promoting energy substitution through green industry. The Group complies with laws and regulations, including the Environmental Protection Law of the PRC, the Notice of State Council on Issuance of the Comprehensive Work Plan of Energy Saving and Emission Reduction in 14th Five-Year Plan the Reform Program of the Ecological Environmental Damage Compensation System, the Opinions of the Central Committee of the CPC and the State Council on Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy, etc., and proactively addresses climate change, overcapacity and other problems. The Group implements national requirements of ecological civilization construction and assists in the green, low-carbon and circular development of the industry.

In order to firmly take the path of prioritizing ecology and green and low-carbon development, the Group accelerated green and low-carbon transformation and development effectiveness from three major aspects:

Firstly, firmly focusing on the key of “Carbon Reduction”. The Group combines reduction of productivity and production from the source with reduction of carbon in the full process and insists on eliminating outdating equipment, reduction and displacement, and staggering and limiting production. In terms of energy conservation and carbon reduction, the Group insists on development driven by technological innovation, implements joint solutions such as low-carbon, zero-carbon and carbon offset practices, CCUS and substituting by hydrogen energy, and standards of key technologies, orderly promotes technological renovation of energy conservation and carbon reduction, and increases the promotion and application of advanced and applicable energy conservation and carbon reduction technology and equipment. In terms of green and low-carbon energy transformation and carbon reduction, the Group increases the utilization of solar, wind and other renewable energy. Ningxia Building Materials proposed the concept of “A Factory without Purchased Electricity” through “Power Generation by Solar Power, Wind Power, Energy Storage and Waste Heat” and established the cadmium telluride solar power generation system in the southeast of Lijiang. In terms of carbon reduction through circular economy, the Group proactively responds to the calls of national and local governments by developing co-processing of domestic wastes, sludge, wastewater, hazardous wastes related to the pandemic and other hazardous wastes in cement kiln. In 2021, the Group utilized more than 1,252,286.53 million tonnes of industrial waste with a year-on-year growth of 7.33%;

Secondly, consolidating the protection provided by “Carbon Sequestration”. The Group proactively implements the construction of green mines and ecological factories and continuously improves carbon storage capability to spare no efforts to protect lucid waters and lush mountains;

Thirdly, promoting the work of “Carbon Management”. The Group continuously focuses on and makes good use of green finance and has achieved the best issuance of various kinds of bonds among the peers at the issuance date. Each subsidiary accumulatively issued RMB3,689 million bonds related to green and carbon neutrality concept, truly promoting green building materials by green finance.

The Group insists on the core concept of “Smart Use of Resources to Serve the Industrial Construction” and implements the new development concept. The Group sets each year’s 26 August as a “Smart Use of Resources Day” and makes overall deployment for corporate open-day event and other serial activities to firmly transform concepts into culture and actions. Taking “Green and Environmental Protection” as a theme, the second “Smart Use of Resources Day” in 2021 demonstrated green factories, eco-friendly materials, high-tech materials, intelligent manufacturing industries, workers in the new ear, etc., included cultural and innovative markets, online cloud-based video broadcast in the overseas and other innovative sections, and was held simultaneously in CNBM’s industrial park in Zambia, China Jushi’s fiberglass manufacturing factory in Egypt, supermarkets in Papua New Guinea, Nigeria’s national construction projects, etc.

EMPLOYEE CARE

Employees are the most valuable asset of an enterprise. The Group cultivates, introduces and makes good use of talents in an all-round way, and builds a platform for employees to start their own businesses, lets employees and enterprises grow together, and protects the rights and interests of employees, always insisting on the philosophy of “People-oriented Development” and the concept of “Talent is the First Resource”. As of 31 December 2021, the Group had a total of 153,109 employees. The remuneration policy of the Group’s employees is based on job responsibilities, with knowledge ability and work qualifications as anchors, and job performance as the guidance, leading to a salary structure comprised of job performance influenced by the Group’s overall economic benefit. As a pioneer in the reform and innovation of state-owned enterprises, the Group is committed to building a leading talent team in science and technology, an innovation team and an operation and management team. Also, the Group has established and implemented a series of medium and long-term incentive toolkits including dividends from technology companies, equity incentives for technology companies, equity incentives for listed companies, employee shareholding in mixed-ownership companies, co-investment in investment project, excess profit sharing, virtual equity incentives, etc.

The Group respects the differences of employees, attaches great importance to maintaining the diversity of the workforce, and is committed to providing a safe, healthy and harmonious workplace for each employee. At the same time, the Group serves the grassroots and cares for employees by continuously improving human resources policies, employee benefits, vocational training and leisure activities. The Group attaches great importance to employees’ work-life balance, and encourages employees to achieve a work-life balance through various ways. On the one hand, the Group carried out multi-channel, multi-form, multi-hierarchy and focused employee training activities to improve employees’ ability to perform their duties, and the Group held various cultural and recreational activities for employees and enriched employees’ fitness venues and facilities; on the other hand, the Group carried out condolences and assistance to employees, such as sending condolences to special employees, helping the children of employees in difficulty to enter the school, which can solve the employees’ worries and enhance the cohesion of the employee team and their sense of belonging, building a human resource foundation for the sustainable development of the Group.

The Group respects and safeguards the International Bill of Human Rights and the laws and regulations in China and other countries and regions with operation facilities, including 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. The Group firmly prohibits the employment of child labor and forced labor, and opposes any forms of discrimination in recruitment and employment. The Group takes responsibility to ensure the safety and health of employees during the work process. Through in-depth research and analysis of the production characteristics of the building materials industry, the Group has continuously improved the Measures for the Supervision and Management of Occupational Health at Workplaces, and continuously strengthened the protection and management of employees' occupational health to effectively prevent, control and eliminate occupational hazards.

QUALITY ASSURANCE

The Group has been focusing on the development of the building materials industry and the improvement of product quality for a long time. Via integrating the spirit of craftsmanship into modern industrial production and management practices, incorporating innovative concepts into the core values of the enterprise and simultaneously promoting the innovation of strategies and concepts, the Group develops with the industry and industry chain enterprises together. Customers' support and trust in the quality of the Group's products and services rely on the Group's unremitting pursuit and strict control of product quality. 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. The Group has established a sound pre-sale consultation, in-sale reception and after-sale service systems, and does a good job in the management of information and data confidentiality under the principle of customers first. Technological innovation empowers the Group's high-quality development. The Group proactively promotes scientific and technological innovation. With a national-level corporate technology centre, the Group strives to promote technological innovation of new materials and products, obtains a number of patents and creates economic and social value by proactively promoting the digitalization in the industry through intelligent labs, digital mines and other models.

In addition, the Group is committed to growing together with suppliers and business partners, and hopes to create better value through a mutually beneficial and win-win cooperation model. 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 to manage environmental and social risks of the supply chain. Regarding selection of new suppliers and business partners, the Group gives priority to suppliers and business partners with reliable quality, good operation and reputation, and who are environmentally friendly, energy-saving and with scientific management.

Sustainable development and the realization of the "Carbon Dioxide Peaking and Carbon Neutrality" goal require the joint participation and contribution of the Group and enterprises in the industrial chain. Therefore, the Group has deeply implemented green procurement, given priority to the selection of low-carbon and environmentally friendly products and clean energy, while promoting the use of non-fossil energy such as municipal waste and biomass energy. The Group also attaches great importance to the occupational health and safety management of the employees of its suppliers and business partners. The Group includes the terms and conditions of occupational health and safety in service contracts and proactively cooperates with the suppliers and business partners in carrying out routine safety inspections, safety training, emergency drills and so on.

DEDICATION TO THE SOCIETY

As a responsible corporate citizen, the Group remains its original aspiration and bears in mind the corporate mission of "Materials Create a Better World", and has extensively participated in pandemic prevention and control, targeted poverty alleviation, aid in Xinjiang and Tibet, disaster relief, volunteer work, helping employee, overseas assistance and construction and other public welfare activities. The Group uses high-quality building materials to help the front line to fight against the pandemic, and contributes to building a safety barrier for pandemic prevention and control through caring donations of materials and participating in voluntary services. The Group has been concerned about the development of the surrounding communities and local societies at home and abroad for a long time, so that the Group proactively explored the markets along "One Belt and One Road", and adhered to the three win-win cooperation principles of "Contributing to Local Development, Cooperating with Local Enterprises, and Serving Local Residents". The Group provides high-quality building materials, advanced technology, and mature experience to create a new model of global resources, which helps the construction of the countries along "One Belt and One Road", makes significant contributions to local infrastructure construction, social development and improvement of people's lives, and builds a community with a shared future for mankind. Overseas affiliated companies of the Group have been proactively participated in charity activities, and have donated to local education, medical care and health services in a long run. After the outbreak of the COVID-19 pandemic, the overseas affiliated companies have increased investment in pandemic prevention and control and employee safety protection, and donated to local hospitals, schools, disaster areas, orphanages, associations for the disabled and other institutions.

The Group attaches great importance to supporting various rural revitalization and disaster relief work, and pursues the co-development and growth of the enterprise and the regions where the Group's facilities located. The Group has established a sound emergency response mechanism to immediately support public issues such as disaster relief and civil defence and security. In 2021, the Group donated over RMB105 million. The Group also made overall arrangement for "Six Major Assistance" measures of people's livelihood assistance, industrial support, employment support, medical support, educational support and e-commerce support, helping the nationally rural revitalization from multiple perspectives and effectively helping the basic need of people in need, so that the results of rural revitalization and assistance have benefited people's livelihood in a practical way.

In addition, the Group encourages its employees to participate in different voluntary activities. The Group provides guarantees in various aspects such as personnel organization, work mechanism, time arrangement, financial support, and communication and liaison, etc. Under the volunteer service system, the Group and its subsidiaries have established a number of volunteer organizations to carry out "Building Colorful Classrooms for Good, and Realizing 'Children's Dreams'", "Helping People in Need", "Love Donation", "Student Aid in Golden Autumn", "Civilized Transportation", "Environmental Protection Publicity" and other voluntary activities to contribute to public welfare.

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2021 to its Shareholders.

PRINCIPAL BUSINESS

The Group is a holding company and its subsidiaries and associates are mainly engaged in basic building materials, 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 RMB5,845,296,068.77 in total (tax inclusive) for the period from 1 January 2021 to 31 December 2021 (2020: RMB3,964,342,211.14 in total (tax inclusive)) for Shareholders whose names appear on the Company's register of members on Wednesday, 8 June 2022, representing RMB0.693 per share (tax inclusive) (2020: RMB0.470 per share (tax inclusive)) based on the issued shares of 8,434,770,662 shares as of 25 March 2022. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 8 June 2022.

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 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 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 H Share will be determined by applying the relevant exchange rate to the pre-tax dividend per share of RMB0.693 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 Monday, 30 May 2022.

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 2021 to 31 December 2021 (the "2021 Final Dividend") to holders of 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, 8 June 2022.

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 2021 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, 8 June 2022 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 2021 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, 8 June 2022 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 Taxation 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, 8 June 2022 (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 Administration 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, 9 June 2022, 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, 9 June 2022. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and paying provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Measures on Tax Treaties if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders who are eligible to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 25 May 2022 to Monday, 30 May 2022 (both days inclusive), during such period no transfer of shares in the Company will be registered. To be eligible to attend and vote at the forthcoming Annual General Meeting, holders of H Shares whose transfers have not been registered shall lodge all the share transfer documents and relevant share certificates with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 24 May 2022 for share registration.

Shareholders whose names appear on the register of members on Wednesday, 8 June 2022 will be eligible for the final dividend. The register of members of the Company will be closed from Friday, 3 June 2022 to Wednesday, 8 June 2022 (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, 2 June 2022 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Thursday, 30 June 2022 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2022.

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 the Directors' report.

1. A fair review of the Group's business

   Pages 28 to 48 of this annual report.

BUSINESS REVIEW *(CONTINUED)*

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

   Pages 25 to 27 and page 29 of this annual report.

3. There were no significant events that will affect the Group after the Reporting Period.

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

   Pages 36 to 38 and pages 47 to 48 of this annual report.

5. An analysis using financial key performance indicators

   Pages 39 to 46 of this annual 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. In 2021, the Company amended 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, and included the disclosure of ecological and environmental protection information in the assessment. 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. The completion rate of the rectification of the phased tasks in and before 2021 has reached 100% in the rectification plan for the feedback from the central ecological and environmental protection and inspection.

BUSINESS REVIEW *(CONTINUED)*

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

   In 2021, the Company has been in compliance with the Company Law of the People's Republic of China and any other applicable 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.

   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 RMB181,240.99 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 2021, net carrying amount of fixed assets amounting to RMB1,441.45 million, monetary capital amounting to RMB3,780.94 million and net carrying amount of accounts receivable and other assets amounting to RMB1,739.89 million have been pledged, being the condition as the grant of financing by banks. As at 31 December 2021, the pledged assets of the Company amounted to RMB6,962.28 million in total.

SUBSIDIARIES AND ASSOCIATES

Details of each of the principal subsidiaries and associates of the Company are set out in Notes 20 and 21 to the consolidated financial statements. Except the Restructuring of Cement Assets as disclosed in the section headed "Material Transactions" in this annual report, 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 OF 31 DECEMBER 2021)

	Number of Shares	Percentage of issued share capital *(%)*
Domestic Shares	3,876,624,162	45.96
H Shares	4,558,146,500	54.04
Total share capital	8,434,770,662	100

Substantial Shareholders (as of 31 December 2021)

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 United Investment	Domestic Shares	227,719,530	2.70
Building Materials Academy	Domestic Shares	1,173,050	0.01
Taishan Investment	Domestic Shares	263,318,181	3.12
Sinoma Investment	H Shares	6,800,000	0.08
Public Investors	H Shares	4,542,810,500	53.86
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.

SHARE CAPITAL STRUCTURE (AS OF 31 DECEMBER 2021) *(CONTINUED)*

Substantial Shareholders (as of 31 December 2021) *(Continued)*

On 1 February 2021, the Company 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 (the "H Shares") of the Company, and the Shares directly and indirectly held by the Parent would not participate in the conversion. Upon obtaining all the relevant approvals (including the approvals from the CSRC and the Stock Exchange) and having complied with all the applicable laws, regulations and rules, such Unlisted Shares were converted into H Shares, and the Company applied for the listing of and permission to deal in such H Shares on the Main Board of the Stock Exchange (the "Conversion and Listing"). On 26 April 2021, the Company received the official approval (the "Approval") from the CSRC regarding the Application. Under the Approval, the Company is allowed to convert no more than 689,448,706 Unlisted Shares (representing approximately 8.17% of the total issued share capital of the Company) into H Shares which may be listed and traded on the Stock Exchange (the "Conversion and Listing"). The Company applied to the Stock Exchange for listing and dealing in these H Shares on the Main Board, and the listing approval was granted by the Stock Exchange on 22 July 2021.

The Conversion and Listing involved a total of seven participating holders of 689,448,706 Unlisted Shares who, after the Conversion and Listing, held approximately 15.13% of total issued H Shares of the Company.

The Company completed the conversion of 689,448,706 Unlisted Shares into H Shares on 9 August 2021. The listing of the converted H Shares on the Stock Exchange commenced at 9:00 a.m. on 10 August 2021.

For details, please refer to the announcements of the Company dated 1 February 2021, 26 April 2021, 22 July 2021 and 9 August 2021.

DISCLOSURE OF INTEREST

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

So far as was known to the Directors or the Supervisors of the Company, as of 31 December 2021, the Shareholders (other than the Directors or the 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	93.21	42.84
	H Shares	Long	Beneficial owner	8,536,000			
	H Shares	Long	Interest of controlled corporations	6,800,000			
				15,336,000		0.34	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	44.20	20.31
Sinoma Parent	Domestic Shares	Long	Beneficial owner	1,270,254,437	2	32.77	15.06
Taishan Finance	Domestic Shares	Long	Interest of controlled corporations	263,318,181	4	6.79	3.12
Taishan Investment	Domestic Shares	Long	Beneficial owner	263,318,181	4	6.79	3.12
CNBM United Investment	Domestic Shares	Long	Beneficial owner	227,719,530	2	5.87	2.70
Cinda	H Shares	Long	Beneficial owner	286,651,926		6.29	3.40
Citigroup Inc.	H Shares	Long	Interest of controlled corporations	11,469,029			
	H Shares	Long	Approved lending agent	273,840,911			
				285,309,940	5	6.25	3.38
	H Shares	Short	Interest of controlled corporation	11,416,294	5	0.25	0.13
	H Shares	Lending Pool	-	273,840,911	5	6.00	3.24

DISCLOSURE OF INTEREST *(Continued)*

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

Notes:

1. As at 31 December 2021, the Company's total issued share capital comprises 8,434,770,662 Shares, including 3,876,624,162 Domestic Shares and 4,558,146,500 H 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 United Investment and Building Materials Academy. Sinoma Parent, CNBM United Investment 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 United Investment (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 285,309,940 H Shares (long position) and 11,416,294 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 274,240,911 H Shares (long position) and 200,000 H Shares (short position) in the Company. Citibank, N.A. was an indirect wholly-owned subsidiary of Citigroup Inc..

   5.2 Citigroup Global Markets Hong Kong Limited held 286,000 H Shares (long position) and 2,749,557 H Shares (short position) in the Company. Citigroup Global Markets Hong Kong Limited was an indirect wholly-owned subsidiary of Citigroup Inc..

   5.3 Citigroup Global Markets Funding Luxembourg S.C.A. held 372,029 H Shares (long position) in the Company. Citigroup Global Markets Funding Luxembourg S.C.A. was an indirect wholly-owned subsidiary of Citigroup Global Markets Holdings Bahamas Limited, which in turn was directly held as to 90% by Citigroup Financial Products Inc., which in turn was indirectly wholly-owned by Citigroup Inc..

   5.4 Citigroup Global Markets Limited held 10,411,000 H Shares (long position) and 8,466,737 H Shares (short position) in the Company. Citigroup Global Markets Limited was a direct wholly-owned subsidiary of Citigroup Global Markets Holdings Bahamas Limited, which in turn was directly held as to 90% by Citigroup Financial Products Inc., which in turn was indirectly wholly-owned by Citigroup Inc..

   The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 273,840,911 H Shares. Besides, 1,058,029 H Shares (long position) and 3,617,557 H Shares (short position) of Citigroup Inc. in the Company were held through derivatives as follows:

286,000 H Shares (long position) and 390,000 H Shares (short position)	–	through physically settled listed derivatives
772,029 H Shares (long position) and 2,559,557 H Shares (short position)	–	through physically settled unlisted derivatives
668,000 H Shares (short position)	–	through cash settled unlisted derivatives

Save as disclosed above, as at 31 December 2021, 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 2021, as far as the Company is aware, none of the Directors nor Supervisors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in Shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

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

During the year, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchase amount; and purchases from the Group's single largest supplier amounted to 2.64% 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 2021, the Company has publicly bought back the "16 CNBM 02" bonds on the Shanghai Stock Exchange. The repurchase price is the face value of the bond (RMB100 each bond) and the cancellation amount is RMB1,964,904,000.00, 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 2021, 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

During the year ended 31 December 2021, 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 2021 were RMB25,288.3 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group had approximately 153,109 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. Other than independent non-executive Directors, the other Directors will not receive remunerations in respect of their directorships in the Company. Some of the Directors receive employee remunerations for their role as senior management of the Company.

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 INCENTIVE PLANS OF SINOMA INTERNATIONAL

Share Option Plan of Sinoma International

Sinoma International (a subsidiary of the Company and whose A-shares are traded on the Shanghai Stock Exchange (stock code: 600970)) convened an Extraordinary General Meeting on 6 December 2017 and approved a share option incentive plan (the "Sinoma International Share Option Plan") of Sinoma International.

SHARE INCENTIVE PLANS OF SINOMA INTERNATIONAL *(CONTINUED)*

Share Option Plan of Sinoma International *(Continued)*

The purpose of the Sinoma International Share Option 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 Sinoma Share Option 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 etc. of Sinoma International and its subsidiaries' (excluding the independent directors and supervisors of Sinoma International). The maximum entitlement of each participant under the Sinoma InternationalShare Option Plan shall not exceed 1% of the total share capital of Sinoma International.

On 7 December 2017, Sinoma International Share Option Plan for a total of 17,424,500 ordinary A-shares of Sinoma International ("Sinoma International Share"), representing approximately 0.79% of the total issued share capital of Sinoma International as at the date of this report, were granted by Sinoma International to 489 grantees under the Sinoma International Share Option Plan. The participants who were granted Sinoma International Share Option were (i) 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) 7 Sinoma International senior management, to whom a total of 1,690,000 Sinoma International Share Options were granted, and (iii) 479 key technical and management personnel, to whom a total of 14,804,500 Sinoma International Share Options were granted. The exercise price of the Sinoma International Share Options is RMB9.27, which was 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 Sinoma Share Option 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 Sinoma Share Option Plan is 24 months.

Given Sinoma International's distributions of profit in May 2018, June 2019 and June 2020, respectively, in accordance with the relevant provisions under the Sinoma International Share Option Plan for adjustment of the exercise price, Sinoma International approved in its Board meetings that the exercise price be changed to RMB8.336/share.

During 2020, 26 grantees no longer meet the equity incentive conditions, and 654,280 Sinoma International Share Options granted have been become invalid and recovered and cancelled by Sinoma International for free. After the adjustment, the number of grantees of the Sinoma International Share Options changed from 489 to 463 and the number of Sinoma International Share Options granted changed from 17,424,500 to 16,770,220.

SHARE INCENTIVE PLANS OF SINOMA INTERNATIONAL *(CONTINUED)*

Share Option Plan of Sinoma International *(Continued)*

During the first exercise period (please refer to the table below for the exercise period), as 463 grantees did not exercise their options, Sinoma International approved in its board meeting held on 8 February 2021 to cancel an aggregate of 5,589,931 unexercised and expired Sinoma International Share Option. In addition, 8 of the 463 grantees had resigned or retired etc., so they no longer met the equity incentive conditions. The withdrawal at zero cost and cancellation of an aggregate of 343,336 Sinoma International Share Options granted to (but not exercised by) the 8 said grantees were approved in the board meeting of Sinoma International. After the said adjustment, the total number of grantees under the Sinoma International Share Option Plan changed from 463 to 455. In addition, 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 Sinoma International Share Option Plan changed from 16,770,220 (as at 31 December 2020) to 10,834,952.

Given Sinoma International's 2020 distribution of profit was conducted in June 2021, 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 6 July 2021 that the exercise price be changed from RMB8.536/share to RMB8.306/share.

In the second exercise period, 440 grantees exercised a total of 4,951,410 Sinoma International Share Options, at the exercise price of RMB8.306 per share. The weighted average closing price of Sinoma International Share on the trading day prior to the exercise date (the date on which the registration of the shares was completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited was the exercise date, being 18 November 2021) was RMB11.20 per share, and the exercise shares were listed on 25 November 2021. Upon completion of the exercise, the share capital of Sinoma International was adjusted from RMB2,214,131,539 to RMB2,219,082,949. Sinoma International has completed the registration procedures for the exercise. During the exercise period, 15 grantees who held 465,000 Sinoma International Share Options in total voluntarily waived the exercise of such share options. In accordance with the relevant regulations, Sinoma International cancelled 465,000 Share Options granted to the above 15 individuals but yet to be exercised. Upon the above exercise and cancellation, the total number of Sinoma International Share Options changed from 10,834,952 shares to 5,418,542 shares as at 31 December 2021.

During 1 January 2021 to 31 December 2021, the number of cancelled options under the Sinoma International Share Option Plan was 6,400,268 shares and the number of exercised options was 4,951,410 shares.

SHARE INCENTIVE PLANS OF SINOMA INTERNATIONAL *(CONTINUED)*

Share Option Plan of Sinoma International *(Continued)*

The number of outstanding Sinoma International Share Options as at 1 January 2021 was 16,770,220 shares. The number of outstanding Sinoma International Share Options as at 31 December 2021 was 5,418,542 shares, accounting for 0.24% of the total issued share capital of Sinoma International.

Due to the failure to meet the exercise conditions for the third exercise period, Sinoma International held a Board meeting on 28 January 2022 to approve the cancellation of 5,418,542 options corresponding to the third exercise period of 455 grantees. Upon the cancellation, there was no remaining Sinoma International Share Options.

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

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

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

SHARE EQUITY INCENTIVE PLANS OF SINOMA INTERNATIONAL

Restricted Share Incentive Plan of Sinoma International

Sinoma International convened the 10th extraordinary meeting of the seventh session of its Board on 21 December 2021, considering and approving the proposal of the 2021 Restricted Share Incentive Plan ("Restricted Share Plan of Sinoma International" or "Plan"). Due to personnel changes, the 12th meeting of the seventh session of its Board held by Sinoma International on 18 February 2022 adjusted the grantees and the number of restricted shares to be granted under the Restricted Share Plan of Sinoma International. Sinoma International considered and approved the Restricted Share Incentive Plan of Sinoma International at the third extraordinary general meeting in 2022 convened on 16 March 2022. In view of the fact that 10 incentive participants included in the list of incentive participants of the initial grant voluntarily gave up the subscription of restricted shares to be granted due to personal reasons, in accordance with the authorization granted at the 3rd Extraordinary General Meeting of Sinoma International in 2022, Sinoma International approved at the 14th extraordinary meeting of the seventh session of the Board held on 24 March 2022 to adjust the number of incentive participants and the number of restricted shares for the initial grant of the Sinoma International Restricted Share Plan. The number of restricted shares of Sinoma International ("Restricted Shares") to be granted under Restricted Share Plan of Sinoma International is 58,438,000 shares, accounting for 2.63% of Sinoma International's current total share capital of RMB2,219,082,949. Among which, 48,383,000 Restricted Shares were granted at the first instance, accounting for 2.18% of Sinoma International's current total share capital; 10 million Restricted Shares were reserved, accounting for 0.45% of Sinoma International's current total share capital, and the reserved portion accounted for 17.11% of the total granted equity interest.

The source of Restricted Shares is the issuance of ordinary A-shares of Sinoma International to the participants, and the grant price of the Restricted Shares was RMB5.97/share, which was not less than the par value of the shares and was the higher of: (i) the average trading price of Sinoma International Share for 1 trading day prior to the announcement of the draft Plan; (ii) the average trading price of Sinoma International Share for 20 trading days prior to the announcement of the draft Plan; (iii) the average trading price of Sinoma International Share for 60 trading days prior to the announcement of the draft Plan; (iv) the average trading price of Sinoma International Share for 120 trading days prior to the announcement of the draft Plan.

The number of grantees of the first grant was no more than 198, including directors and senior management personnel, core management, business and key technical personnel of Sinoma International. Restricted shares were granted to (i) two directors of Sinoma International, namely Liu Yan and Yin Zhisong (concurrently being the President of Sinoma International), who were granted 365,700 and 314,000 Restricted Shares of Sinoma International, respectively; (ii) five senior management personnel (other than the President of Sinoma International, Yin Zhisong), who were granted a total of 1,254,100 Restricted Shares of Sinoma International, and (iii) 191 core management, business and key technical personnel, who were granted a total of 46,449,200 Restricted Shares. The number of Restricted Shares granted to any one grantee under the Plan did not exceed 1% of the total share capital of Sinoma International as at the date of this report.

The validity period of the Restricted Share Plan of Sinoma International, which comprises a 24–month lock-up period and a 36–month unlocking period, shall commence from the completion date of the registration of the Restricted Shares and end on the date on which all the Restricted Shares granted to the grantees have been unlocked or otherwise repurchased and cancelled, which shall not be longer than 72 months. During such lock-up period, the Restricted Shares granted to participants under Restricted Share Plan of Sinoma International are locked-up and cannot be transferred in any form, used as security or to repay debt. If the conditions for the unlocking of the Restricted Shares are met, the Restricted Shares granted to participants will be unlocked in three batches within the next 36 months in the proportion of 33%, 33% and 34%, respectively.

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

Executive Directors[1]

Zhou Yuxian	(appointed on 19 November 2021)
Chang Zhangli	(appointed as executive Director on 15 November 2011, re-designated as non-executive Director on 13 June 2018 and re-designated as executive Director on 27 August 2021)
Fu Jinguang	(appointed on 24 September 2020)
Xiao Jiaxiang	(appointed on 19 November 2021)
Wang Bing	(appointed on 19 November 2021)

Non-executive Directors[1]

Li Xinhua	(appointed on 19 November 2021)
Wang Yumeng	(appointed on 19 November 2021)
Peng Shou	(appointed on 20 June 2006 and re-designated as non-executive Director on 19 November 2021)
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[2]

Zhan Yanjing	(appointed on 19 November 2021)
Wei Rushan	(appointed on 19 November 2021)
Hu Juan	(appointed on 19 November 2021)
$\boxed{\text{Wu Weiku}}$	(appointed on 17 October 2014)
Li Xuan	(appointed on 27 May 2016)
Zeng Xuan	(appointed on 25 March 2016)
Yu Yuehua	(appointed on 30 July 2020)
Du Guangyuan	(appointed on 19 November 2021)

Note:

1. During the Reporting Period, Mr. Cao Jianglin (appointed on 10 March 2005) resigned as the Chairman and an executive Director with effect from 21 October 2021. Mr. Cui Xingtai (appointed on 24 August 2009) retired as executive Director, and Ms. Zhan Yanjing (appointed on 9 December 2019), Mr. Tao Zheng (appointed on 17 October 2014) and Mr. Chen Yongxin (appointed on 27 May 2016) retired as non-executive Directors with effect from the approval by Shareholders of the appointment of the Directors of the fifth session of the Board at the 2021 second Extraordinary General Meeting held on 19 November 2021.

2. On 28 February 2022, Mr. Wu Weiku, an independent Supervisor of the Company, passed away due to illness. The Company expresses deep sorrow for the passing away of Mr. Wu, and expresses gratitude to Mr. Wu for his contribution to the development of the Company during his tenure. The Company will fill the vacancy of independent Supervisor in accordance with relevant laws and regulations.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As of 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 OR ARRANGEMENTS

As of 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	8
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

Mr. Peng Shou ceased to serve as the president of the Company since 27 August 2021. On the same day, the Company appointed Mr. Chang Zhangli as the president of the Company.

Due to work adjustment, Mr. Cao Jianglin resigned from the positions of Chairman of the Board and executive Director of the Company, with effect from 21 October 2021.

In view of the expiry of the term of office of the fourth session of the Board, at the 2021 second Extraordinary General Meeting held on 19 November 2021, the Board considered and approved the election of Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Fu Jinguang, Mr. Xiao Jiaxiang, Mr. Wang Bing, Mr. Li Xinhua, Mr. Wang Yumeng, Mr. Peng Shou, Mr. Shen Yungang, Ms. Fan Xiaoyan, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue as Directors of the fifth session of the Board, of whom Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Fu Jinguang, Mr. Xiao Jiaxiang, Mr. Wang Bing are executive Directors, Mr. Li Xinhua, Mr. Wang Yumeng, Mr. Peng Shou, Mr. Shen Yungang and Ms. Fan Xiaoyan are non-executive Directors, and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue are independent non-executive Directors. The term of the fifth session of the Board commenced from 19 November 2021 and will continue for a term of three years until 18 November 2024.

In view of the expiry of the term of office of the fourth session of the Board, at the 2021 second Extraordinary General Meeting held on 19 November 2021, the Board considered and approved the election of Ms. Zhan Yanjing, Mr. Wei Rushan, Ms. Hu Juan, Mr. Wu Weiku and Mr. Li Xuan as non-employee Supervisors of the fifth session of the Supervisory Committee, of whom Ms. Zhan Yanjing, Mr. Wei Rushan and Ms. Hu Juan are the Supervisors representing the Shareholders, Mr. Wu Weiku and Mr. Li Xuan are independent Supervisors. At the general meeting of staff held on 16 November 2021, Ms. Zeng Xuan, Ms. Yu Yuehua and Ms. Du Guangyuan were elected as staff representative Supervisors of the fifth session of the Supervisory Committee. The term of the fifth session of the Supervisory Committee commenced from 19 November 2021 and will continue for a term of three years until 18 November 2024. On 28 February 2022, Mr. Wu Weiku passed away due to illness. The Company will fill the vacancy of independent Supervisor in accordance with relevant laws and regulations.

At the first meeting of the fifth session of the Board convened on 19 November 2021, the appointment of Mr. Chang Zhangli as the president of the Company, Mr. Chen Xue'an, Mr. Xiao Jiaxiang, Mr. Wang Bing, Mr. Cai Guobin, Mr. Yu Mingqing, Mr. Zhang Jindong, Mr. Sui Yumin, Mr. Xue Zhongmin, Mr. Liu Yan and Mr. Liu Biao as vice presidents of the Company, Mr. Chen Xue'an as the chief financial officer of the Company, Ms. Pei Hongyan as the chief accountant and certified public accountant of the Company, and the authorization to Mr. Chang Zhangli to exercise the powers of the secretary of the Board of the Company was considered and approved. Mr. Xiao Jiaxiang and Mr. Sui Yumin resigned from the positions of vice president of the Company, with effect from 14 March 2022. At the second meeting of the fifth session of the Board of the Company convened on 25 March 2022, Ms. Pei Hongyan was appointed as secretary of the Board of the Company.

For details of the above changes, please refer to the Company's announcements dated 27 August 2021 and 21 October 2021, circular dated 2 November 2021 and announcements dated 19 November 2021, 14 March 2022, 25 March 2022 and 29 March 2022.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

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

Mr. Chang Zhangli was re-designated from a non-executive Director of the Company to an executive Director of the Company since August 2021; has served as the President of the Company since August 2021, the chairman of the Board of Directors of China Jushi since October 2021, has been a member of the investment committee of CNBM (Anhui) New Materials Industry Investment Fund Partnership (Limited Partnership) (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)) and a director of CNBM (Anhui) New Materials Fund Management Company Limited (中建材(安徽)新材料基金管理有限公司) since October 2021, a director and chairman of Tianshan Cement since December 2021, a director of Sinoma Science & Technology since January 2022, and ceased to be a Director and chairman of Southwest Cement since January 2022.

Mr. Fu Jinguang, an executive Director of the Company, has served as the secretary to the Board of Directors and assistant to the general manager of the Parent since August 2021, a Director and vice chairman of Tianshan Cement since December 2021. Mr. Xiao Jiaxiang, an executive Director of the Company, has served as the president of Tianshan Cement since December 2021, and ceased to be a vice president of the Company since March 2022. Mr. Wang Bing, an executive Director and a vice president of the Company, has served as the general legal counsel of the Company since December 2021, and ceased to be a Director and the chairman of BNBM since March 2022. Mr. Li Xinhua, a non-executive Director, has served as a Director of Sinoma Science & Technology since January 2022. Mr. Peng Shou, a non-executive Director, has served as the chairman and the (CNBM) Bengbu Design & Research Institute for Glass Industry Co, Ltd.* (中建材蚌埠玻璃工業設計研究院有限公司) since December 2021. Mr. Sun Yanjun, an independent non-executive Director, ceased to serve as the chief executive officer of C.M. Capital Advisors (HK) Limited since July 2021. Ms. Xia Xue, an independent non-executive Director, has served as an independent Director of Shanghai Wanye Enterprises Co., Ltd.* (上海萬業企業服務有限公司) since June 2021.

Mr. Li Xuan, an independent Supervisor, has served as an independent Director of Beijing Yandong Microelectronics Co., Ltd.* (北京燕東微電子股份有限公司) since March 2021. Ms. Du Guangyuan, a staff representative Supervisor, has served as a supervisor of Sinoma International and a Director of Sinoma Advanced since February 2022.

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 or continuing connected transactions 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 2021.

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 of 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.

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:

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

1. Master Agreement on Purchase of Mineral *(Continued)*

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

   (b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not 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 2021 (the "2021 Annual Cap") is RMB531.97 million. The Group recorded expenses of RMB176.85 million incurred in the purchase of mineral from the Parent under the Master Agreement on Purchase of Mineral for the year ended 31 December 2021.

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 supplies: equipment repair, design and installation, property management services; technology services and other services;

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

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

(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 supplies: 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

(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 2021 Annual Cap for the purchase of products and services from the Parent is RMB2,601.97 million; and (ii) the 2021 Annual Cap for the provision of products and services to the Parent is RMB1,426.52 million. During the year ended 31 December 2021, the Group (i) incurred expenses of RMB2,495.34 million from the purchase of products and services from the Parent; and (ii) recorded revenues of RMB929.16 million from the provision of products and services to the Parent under the Master Agreement on Mutual Provision of Products and Services.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

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.

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 2021 annual cap for purchase of equipment from the Parent is RMB1,388.57 million. The Group incurred expenses of RMB1,338.84 million from the purchase of equipment from the Parent for the year ended 31 December 2021.

4. Master Agreement on Provision of Engineering Services

On 30 September 2019, the Company entered into a master agreement on provision of engineering services ("the Master Agreement on Provision of Engineering Services") with the Parent, for a term of three years commencing from 1 January 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);

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

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

   (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.

   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 2021 annual cap for provision of engineering services to the Parent is RMB1,904.20 million. The Group recorded revenue of RMB105.48 million from provision of engineering services to the Parent for the year ended 31 December 2021.

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.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

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

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.

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 RMB842.61 million; and (ii) the annual cap for leasing property to the Parent is RMB80 million. During the year ended 31 December 2021, the Group (i) paid rental of RMB1.32 million for leasing property from the Parent; and (ii) recorded a revenue of RMB6.38 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:

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

6. Financial Services Framework Agreement *(Continued)*

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

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

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

   a) Deposit services: The interest rate for the Group for its deposits with Finance Company will comply with the People's Bank of China ("PBOC")'s regulations on interest rates for deposits of the same type from time to time, and will not be lower than: (i) the 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 Company’s announcement dated 30 September 2019, the circular dated 23 October 2019 and the announcement dated 9 December 2019. Pursuant to the Financial Services Framework Agreement, in 2021, (i) the maximum daily balances (including accrued interest) for deposit services are RMB17,800 million; and (ii) the annual caps on total fees for other financial services are RMB300 million. During the year ended 31 December 2021, the actual maximum daily balance of deposit of the Group is RMB9,908.05 million, and the actual expenses incurred are RMB170.9 thousand.

Continuing transactions subsequently became connected

Financial assistance provided by the Company to the Parent Group

The Company subscribed for equity interest in (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd.* (中建材蚌埠玻璃工業設計研究院有限公司) (“Bengbu Institute”) through through transfer from the Company and Bengbu Huajin of their respective equity interests in China Triumph to Bengbu Institute (the “Bengbu Institute Transaction”). For details of the Bengbu Institute Transaction, please refer to the section headed “Connected Transactions – Partially-exempt Connected Transactions – Subscription for the Equity of Bengbu Institute by the Company with its Equity in China Triumph” in this annual report.

The Company has been providing certain guarantees for China Triumph, which will remain outstanding after completion of the Bengbu Institute Transaction, with respect to an aggregate amount of approximately RMB2.986 billion bonds owed by China Triumph and an aggregate amount of approximately RMB1.591 billion loans owed by China Triumph to certain financial institutions (“Outstanding Guarantees”).

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently became connected *(Continued)*

Financial assistance provided by the Company to the Parent Group *(Continued)*

Upon completion of the Bengbu Institute Transaction, China Triumph became a non-wholly owned subsidiary of the Parent and thus a connected person of the Company, and the Outstanding Guarantees became continuing connected transactions of the Company which were subject to the requirements under Rule 14A.60 of the Listing Rules.

The principal terms of the agreements in relation to the Outstanding Guarantees are set out below:

1. Corporate Bonds Guarantee Agreement

Date:	23 April 2018
Parties:	The Company as guarantor; and China Triumph as the issuer of the corporate bonds (China Triumph International Engineering Company Limited. publicly issued 2018 One Belt One Road special corporate bonds (中國建材國際工程集團有限公司公開發行之2018年一帶一路專項公司債券))
Subject matter:	The Company fully assumed joint and several liability for the proper payment of the principal, interest, liquidated damages, damages, costs of realization of the debentures and other expenses payable by the issuer under the Bonds.
Underlying loans:	The corporate bonds were issued by China Triumph, with a total amount not exceeding RMB2 billion, including the first tranche of corporate bonds due in June 2023 (Bond Code: 143629.SH) issued in June 2018 with a total amount of RMB1 billion and interest rate of 4.00% per annum, and the second tranche of corporate bonds due October 2023 (Bond Code: 143852.SH) issued in October 2018 with a total amount of RMB1 billion (remaining RMB999.85 million as of the latest practicable date) and interest rate of 3.35% per annum, both of which are listed on the Shanghai Stock Exchange.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently became connected *(Continued)*

Financial assistance provided by the Company to the Parent Group *(Continued)*

2. CDB Guarantee Agreement

Date:	15 October 2018
Parties:	The Company as guarantor; and CDB as lender
Subject matter:	The Company provided a joint and several liability guarantee for the CDB loans with CDB as the beneficiary. The guarantee period is two years from the expiry of the performance period of each loan.
Underlying loans:	The CDB loans were borrowed by China Triumph (as borrower) from CDB (as lender) with a principal amount of EUR85 million, an interest rate of 6–month EURIBOR plus 220BP, and a loan term of 5 years with a grace period of 2 years.

3. Letter of Undertaking from Tebon

Date:	19 June 2019
Parties:	The Company to Tebon Securities (as the Scheme Administrator and on behalf of the holders of the Asset Backed Special Scheme 1)
Subject matter:	The Company undertakes to Tebon Securities that the funds in the account under the Asset Backed Special Scheme Phase I are insufficient to cover all expected returns and principal amounts of the priority level under the Asset Backed Special Scheme Phase I and all outstanding and payable costs of the Asset Backed Special Scheme Phase I, if any, and the Company undertakes to assume responsibility for the payment of the shortfall.
Underlying loans:	The Asset Backed Special Scheme Phase I represents the transfer of receivables as the underlying assets from China Triumph (as the original equity owner) to Tebon Securities (as the manager), and the manager uses the recoveries from such underlying assets as the primary source of funding to pay principal and expected income to the holders of the Asset Backed Securities Phase I. The Asset Backed Securities Phase I consists of a priority level with a principal amount of RMB831 million bearing interest at 4.20% per annum and a subordinated tier with a principal amount of RMB96 million bearing no interest, both of which have a maturity date of June 2022.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently became connected *(Continued)*

Financial assistance provided by the Company to the Parent Group *(Continued)*

4. Ex-Im Bank Guarantee Agreement I

Date:	26 November 2020
Parties:	The Company as guarantor; and Ex-Im Bank as lender
Subject matter:	The Company provided a joint and several liability guarantee in favor of the Ex-Im Bank for Loan I from the Ex-Im Bank. The guarantee period is two years from the expiry date of the debt performance period.
Underlying loans:	Ex-Im Bank Loan I is borrowed by China Triumph (as borrower) from CDB (as lender) with a principal amount of RMB100 million and a floating interest rate at the applicable rate of Ex-In Bank plus 30 BPs which is determined quarterly for a term of 36 months.

5. Ex-Im Bank Guarantee Agreement II

Date:	24 February 2021
Parties:	The Company as guarantor; and Ex-Im Bank as lender
Subject matter:	The Company provided a joint and several liability guarantee in favor of the Ex-Im Bank for Loan II from the Ex-Im Bank. The guarantee period is two years from the expiry date of the debt performance period.
Underlying loans:	Ex-Im Bank Loan II is borrowed by China Triumph (as borrower) from CDB (as lender) with a principal amount of RMB200 million and a floating interest rate of LPR less 0.25% determined quarterly for a term of 36 months.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently became connected *(Continued)*

Financial assistance provided by the Company to the Parent Group *(Continued)*

6. Ex-Im Bank Guarantee Agreement III

Date:	11 March 2021
Parties:	The Company as guarantor; and Ex-Im Bank as lender
Subject matter:	The Company provided a joint and several liability guarantee in favor of the Ex-Im Bank for Loan III from the Ex-Im Bank. The guarantee period is two years from the expiry date of the debt performance period.
Underlying loans:	Ex-Im Bank Loan III is borrowed by China Triumph (as borrower) from CDB (as lender) with a principal amount of RMB200 million and a floating interest rate of LPR less 0.25% determined quarterly for a term of 36 months.

7. Ex-Im Bank Guarantee Agreement IV

Date:	22 April 2021
Parties:	The Company as guarantor; and Ex-Im Bank as lender
Subject matter:	The Company provided a joint and several liability guarantee in favor of the Ex-Im Bank for Loan IV from the Ex-Im Bank. The guarantee period is two years from the expiry date of the debt performance period.
Underlying loans:	Ex-Im Bank Loan IV is borrowed by China Triumph (as borrower) from CDB (as lender) with a principal amount of RMB400 million and a floating interest rate of LPR plus 0.23% determined quarterly for a term of 36 months.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently became connected *(Continued)*

Financial assistance provided by the Company to the Parent Group *(Continued)*

8. Ex-Im Bank Guarantee Agreement V

Date:	29 June 2021
Parties:	The Company as guarantor; and Ex-Im Bank as lender
Subject matter:	The Company provided a joint and several liability guarantee in favor of the Ex-Im Bank for Loan V from the Ex-Im Bank. The guarantee period is two years from the expiry date of the debt performance period.
Underlying loans:	Ex-Im Bank Loan IV is borrowed by China Triumph (as borrower) from CDB (as lender) with a principal amount of RMB350 million and a floating interest rate of LPR plus 0.35% determined quarterly for a term of 20 months.

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 No.3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice No.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, Financial Services Framework Agreement and the agreements in relation to the Outstanding Guarantees during the Reporting Period, and reported to the Board that:

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

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently became connected *(Continued)*

Annual Review of Continuing Connected Transactions *(Continued)*

(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, Financial Services Framework Agreement and the agreements in relation to the Outstanding Guarantees 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 2021 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)*

Restructuring of Cement Engineering Assets

Pursuant to the respective Indicative Agreements entered into on 30 October 2020, (i) the Company, Building Materials Academy, a wholly-owned subsidiary of the parent, and China Triumph, a subsidiary of the Company at the time of the transaction, disposed of their respective equity interests in certain subsidiaries of the Company (namely Beijing Triumph, Nanjing Triumph and Sinoma Mining, together, the "Target Companies") to Sinoma International, an A-share listed subsidiary of the Company; and (ii) Sinoma International acquired the equity interests in Nanjing Triumph from 49 minority shareholder ("Restructuring of Cement Engineering Assets").

The acquisitions and disposals of the same equity interests in the Target Companies among the Company, China Triumph and Sinoma International under the Restructuring of Cement Engineering Assets is in substance a group reorganization. The group reorganization resulted in a net disposal of 19.78%, 20.24% and 48.57% direct and indirect interests in Beijing Triumph, Nanjing Triumph and Sinoma Mining, respectively, and a maximum net disposal (taking into account the compensation arrangements contemplated under the relevant agreements) of approximately 21.09%, 21.57% and 51.17% direct and indirect interests in Beijing Triumph, Nanjing Triumph and Sinoma Mining, respectively, by the Company and China Triumph to the other shareholders of Sinoma International.

On 9 February 2021, the Company, Building Materials Academy and China Triumph entered into the CNBM Supplemental Agreement with Sinoma International to agree on the consideration of the transactions in connection therewith under the Restructuring of Cement Engineering Assets, which is to be settled by cash and new shares to be issued by Sinoma International. On the same date, Sinoma International entered into a supplemental agreement with the aforementioned minority shareholders to agree on the consideration of the transactions in connection therewith under the Restructuring of Cement Engineering Assets, which is to be settled by cash. On 30 July 2021, Sinoma International entered into a second supplemental agreement with China Triumph and each of the independent sellers, respectively, to agree on the handling of an outstanding issue in relation to an investment of Nanjing Triumph. On the same date, the Company, Building Materials Academy and China Triumph entered into a third supplemental agreement with Sinoma International to agree on the amended clause in relation to profit or loss realised during the transitional period.

Upon completion of the Restructuring of Cement Engineering Assets, Sinoma International remained a subsidiary of the Company. The above indicative agreement and supplemental agreements were conditional upon the fulfilment of the relevant conditions to effectiveness. As at the date of this report, the transfers of the above equity interests in the Target Companies to Sinoma International has been completed. The registration of the 476,484,556 consideration shares issued by Sinoma International pursuant to the Restructuring of Cement Engineering Assets has been completed at the Shanghai branch of China Securities Depository and Clearing Company Limited on 29 October 2021, and such consideration shares will be listed on the Shanghai Stock Exchange. All steps of completion will be complete upon Sinoma International's payment of cash consideration to the Independent Sellers which will be made in accordance with the timeframe as disclosed in the Transaction Announcement (as defined below).

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(Continued)*

Restructuring of Cement Engineering Assets *(Continued)*

For details of the transactions regarding the Restructuring of Cement Engineering Assets, please refer to the announcements of the Company dated 17 October 2020, 19 October 2020, 30 October 2020, 9 February 2021 ("Transaction Announcement"), 2 August 2021, 21 September 2021 and 1 November 2021.

Capital Contribution to China National Building Material Group Finance Co., Ltd.

On 26 March 2021, Sinoma Cement (a wholly-owned subsidiary of the Company) and Parent, being the shareholders of Finance Company (a subsidiary of Parent), entered into the Capital Contribution Agreement, pursuant to which Sinoma Cement agreed to make a capital contribution in cash to Finance Company in cash on a basis of RMB1.31/registered capital. Sinoma Cement will contribute RMB262,000,000, among which RMB200,000,000 will be counted into the registered capital of Finance Company and the remaining amount will be counted into the capital reserve of Finance Company. After the capital contribution, the registered capital of Finance Company will increase from RMB1,000,000,000 to RMB1,200,000,000. Sinoma Cement and Parent will make a capital contribution of RMB500,000,000 and RMB700,000,000 respectively. The shareholding ratios of Sinoma Cement and Parent in Finance Company were changed from 30% and 70% to 41.67% and 58.33%, respectively.

The Company intended to decrease its asset-liability ratio through the transaction, as well as support the expansion of the business scale of Finance Company, so as to enable members of the Group to obtain more financing services from Finance Company, which will in turn be beneficial to lowering the finance costs of the members of the Group, also promote the deep cooperation between Sinoma Cement and Finance Company in capital business and obtain investment return.

For details of the capital contribution to and the increase in the registered capital of Finance Company, please refer to the Company's announcement dated 26 March 2021. As of the date of this report, the transaction has been completed.

Capital Contribution to China National Building Material (Shanghai) Aviation Technology Co., Ltd.

On 8 April 2021, CNBM United Investment (a wholly-owned subsidiary of the Parent), Sinoma Science & Technology (a non-wholly-owned subsidiary of the Company) and China Composites (a wholly-owned subsidiary of the Company) entered into a shareholders' agreement, pursuant to which, the parties agreed to establish the joint venture, China National Building Material (Shanghai) Aviation Technology Co., Ltd. ("CNBM Aviation"), of which CNBM United Investment, Sinoma Science & Technology and China Composites agreed to subscribe in cash for RMB60 million, RMB25 million and RMB15 million, representing 60%, 25% and 15% of the registered capital of CNBM Aviation, respectively.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(Continued)*

Capital Contribution to China National Building Material (Shanghai) Aviation Technology Co., Ltd. *(Continued)*

On 18 May 2021, CNBM United Investment, Sinoma Science & Technology and China Composites entered into a capital contribution agreement, pursuant to which, all parties agreed to make a capital contribution totaling RMB950 million to CNBM Aviation, in cash in accordance with their respective shareholding on pro rata basis. Among them, CNBM United Investment, Sinoma Science & Technology and China Composites will make a capital contribution of RMB570 million, RMB237.5 million and RMB142.5 million, respectively.

The Company intended to give full play to the advantages of material industry and technology reserve of Sinoma Science & Technology and China Composites through the above transaction, extend the carbon fiber industry chain, expand the application depth and breadth of the composite downstream industry, promote the application level of international advanced technology and high-end industrialization, and further enhance the enterprise value.

Upon completion of the said capital contribution, the registered capital of CNBM Aviation will increase from RMB100 million to RMB1,050 million. The aggregate capital contribution under the shareholders' agreement and the capital contribution agreement to be made by CNBM United Investment, Sinoma Science & Technology and China Composites will be RMB630 million, RMB262.5 million and RMB157.5 million, respectively.

For details of the capital contribution to CNBM Aviation, please refer to the Company's announcement dated 18 May 2021. As of the date of this report, the parties have not implemented the capital contribution.

Capital Contribution to Sinoma Lithium Membrane by China National Materials Group Corporation Ltd.

On 15 June 2021, China National Materials Group Co., Ltd. ("Sinoma Group", a wholly-owned subsidiary of the Parent) and Sinoma Lithium Membrane (a subsidiary of the Company) entered into a debt-to-equity swap agreement, pursuant to which Sinoma Group agreed to make a capital contribution totaling RMB100 million to Sinoma Lithium Membrane by way of a debt-to-equity swap. Sinoma Lithium Membrane shall increase its registered capital by RMB1,965.0310 million, and apart from the capital contribution by Sinoma Group by way of a debt-to-equity swap, other relevant parties shall also make capital contributions to Sinoma Lithium Membrane by injecting equity assets. Sinoma Group's creditor's rights of RMB100 million over Sinoma Lithium Membrane shall be swapped into a payment of RMB70.6065 million to the registered capital of Sinoma Lithium Membrane, and the proportion which exceeds the registered capital shall be recognised in the capital reserve of Sinoma Lithium Membrane. Upon completion of the Capital Contribution, the registered capital of Sinoma Lithium Membrane became RMB2,265.0310 million, and Sinoma Group held 3.12% equity interest in Sinoma Lithium Membrane.

The Company intended to decrease the asset-liability ratio of Sinoma Lithium Membrane through the above transactions, improve its financial structure, and it is conducive to the optimisation of its shareholding structure and improvement of the corporate governance to further enhance its profitability and overall valuation.

For details of capital contribution to Sinoma Lithium Membrane by Sinoma Group, please refer to the Company's announcement dated 15 June 2021. As of the date of this report, the transaction has been completed.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(Continued)*

Establishment of BN New Material (Jinzhou) Company Limited

On 8 July 2021, Beijing New Waterproof Co., Ltd. ("BN Waterproof", an indirect subsidiary of the Company), entered into a shareholders agreement with Tianlong New Material Co., Ltd. ("Tianlong New Material", an indirect subsidiary of the Parent), Keshun Waterproof Technologies Co., Ltd. ("Keshun", an independent third party) and Jiangsu Canlon Building Materials Co., Ltd. ("Canlon", an independent third party)，pursuant to which the parties agreed to establish the joint venture, BN New Material (Jinzhou) Company Limited ("BN New Material"), in Jinzhou, Liaoning Province, the PRC. The registered capital of the Joint Venture is RMB300 million, of which BN Waterproof, Tianlong New Material, Keshun and Canlon agreed to subscribe in cash for RMB210 million, RMB30 million, RMB30 million and RMB30 million, respectively, representing 70%, 10%, 10% and 10% of the registered capital of BN New Material, respectively.

The Company intended to promote the strength of vertical integration of the industrial chain in the waterproof business through the above transaction, achieve the high ground advantage of the full industrial chain for greater overall benefits, and further enhance the market competitiveness and risk resistance of the Company's waterproofing business.

For details of the establishment of BN New Material, please refer to the Company's announcement dated 8 July 2021. As of the date of this report, the establishment of BN New Material has been completed.

Establishment of China National Building Material Anhui New Materials Industry Investment Fund (Limited Partnership)

On 19 August 2021, the Company entered into a limited partnership agreement with China National Building Material Fund Management (Beijing) Company Limited*(the "CNBM Fund Management"), China National Building Material Joint Investment Company Limited* (the "CNBM United Investment", both of which being subsidiaries of the Parent) and 11 other Limited Partners to establish China National Building Material Anhui New Materials Industry Investment Fund (Limited Partnership) (the "Partnership") for the purpose of making equity investments. The total capital contribution to the Partnership by all partners is RMB20 billion (subject to the actual amount of funds eventually raised). The total initial fund scale contributed to the Partnership by all partners is RMB15 billion, of which CNBM Fund Management contributed RMB50 million (or 0.33%), being the general partner; CNBM United Investment contributed RMB1,500 million (or 10.00%), being the limited partner; the Company contributed RMB2,100 million (or 14.00%) ,being the limited partner; 11 other partners contributed RMB11,350 million, (or 75.67%), all of whom being limited partners. Other than CNBM Fund Management and CNBM United Investment, the 11 other partners and their ultimate beneficial owners (where applicable) are third parties independent of the Company and connected persons of the Company.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(Continued)*

Establishment of China National Building Material Anhui New Materials Industry Investment Fund (Limited Partnership) *(Continued)*

The scope of business of CNBM New Materials Industry Fund includes venture capital and equity investment, and will focus on investing in new materials industries, including but not limited to new materials, such as fibre and composite materials, glass-based materials, film materials, optoelectronic materials and crystalline materials, and where appropriate, investing in materials related to the transformation and upgrade of industries. The duration of the CNBM New Materials Industry Fund shall be calculated from the date of establishment and expire within eight years. Upon the expiry of the term, it may be extended once for a period of not more than one year upon consideration and approval by a meeting of the partners. The total period shall not exceed the duration of the National Manufacturing Industry Transformation and Upgrade Fund. Meanwhile, the Company entered into the ancillary agreement to limited partnership agreement and a limited partnership agreement to establish CNBM New Materials Fund Management Co., Ltd.* to succeed the Executive Partner of the Partnership.

The Company intends to cultivate the Company's new material business and assisting the industrialization of new material technology through the above transaction. By introducing a market-based mechanism, it will help activate the enthusiasm of the management team and backbone, and accelerate the transformation of scientific and technological achievements.

For details of the establishment of CNBM New Materials Industry Fund, please refer to the Company's announcements dated 16 July 2021 and 19 August 2021. As of the date of this report, the establishment of CNBM New Materials Industry Fund has been completed.

Acquisition of Beijing Zhongbei Kiln Technology Co., Ltd.

On 18 September 2021, China Composites and China National Building Material Assets Management Co., Ltd. (the "CNBM Assets Management") entered into the Agreement, pursuant to which China Composites has agreed to purchase, and CNBM Assets Management has agreed to sell, the 100% equity interests in Beijing Zhongbei Kiln Technology Co., Ltd. ("Zhongbei Kiln") at a consideration of RMB96.84 million.

The subsidiary of Zhongbei Kiln is the largest and most influential organizer for professional technical exhibition of composite materials in the Asia Pacific region. Through the Acquisition, China Composites will realize the unification of exhibition sponsor and organizer. This is conducive to further enhance the comprehensive influence of China Composites, which is in line with the development direction and positioning of the main business of China Composites.

For details of the acquisition of Zhongbei Kiln, please refer to the Company's announcement dated 18 September 2021. As of the date of this report, the acquisition of Zhongbei Kiln has been completed.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially-exempt Connected Transactions *(Continued)*

Establishment of CNBM Chizhou Hangjia New Materials Co., Ltd. and Sinoma Energy Conservation (Chizhou) Co., Limited

On 27 December 2021, South Cement (an indirect subsidiary of the Company), CNBM Chizhou New Materials Co., Ltd. ("CNBM Chizhou", a subsidiary of the Company in which the Parent indirectly holds 10% equity interest, and is therefore a connected subsidiary of the Company) and Sinoma Energy Conservation International Investment Co., Limited* ("Sinoma Energy Investment", a subsidiary of the Parent) entered into a capital contribution agreement, pursuant to which the parties agreed to establish CNBM Chizhou Hangjia New Materials Co., Ltd. ("CNBM Chizhou Hangjia") in Chizhou City, Anhui Provence, the PRC. The registered capital of CNBM Chizhou Hangjia is RMB200 million, of which South Cement, CNBM Chizhou, Sinoma Energy Investment agreed to subscribe in cash for RMB112 million, RMB78 million and RMB10 million, respectively, representing 56%, 39% and 5% of the registered capital of CNBM Chizhou Hangjia, respectively.

On the same day, CNBM Chizhou and Sinoma Energy Conservation (Wuhan) Co., Ltd. ("Sinoma Energy Wuhan", a subsidiary of the Parent) entered into a capital contribution agreement, pursuant to which the parties agreed to establish Sinoma Energy Conservation (Chizhou) Co., Limited ("Sinoma Energy Chizhou") in Chizhou City, Anhui Provence, the PRC. The registered capital of Sinoma Energy Chizhou is RMB100 million, of which CNBM Chizhou and Sinoma Energy Wuhan agreed to subscribe in cash for RMB49 million and RMB51 million, respectively, representing 49% and 51% of the registered capital of Sinoma Energy Chizhou, respectively.

South Cement intended to subsequently undertake a new energy-saving and environmentally-friendly wall material production base project through the joint ventures, which will promote economical and intensive utilization of resources, energy conservation, environmental protection, low-carbon development and green development, is in line with the relevant national industrial policy and regional economic development trend, and give full play to the advantages of the parties in the environmental protection industry to accelerate the realization of low-carbon transformation and sustainable green development of cement enterprises.

For details of the establishments of CNBM Chizhou Hangjia and Sinoma Energy Chizhou, please refer to the announcement of the Company dated 27 December 2021. As of the date of this report, the establishments of CNBM Chizhou Hangjia and Sinoma Energy Chizhou have been completed.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-exempt Connected Transactions

Subscription for equity interest of Bengbu Institute by the Company with its equity interest in China Triumph

On 8 December 2021, the Company entered into the Subscription Agreement with (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd.* ("Bengbu Institute", a wholly-owned subsidiary of the Parent), Bengbu Huajin technology Development Co., Ltd.* ("Bengbu Huajin", an independent third party) and Triumph Science & Technology Group Company* ("Triumph Group", a wholly-owned subsidiary of the Parent) in connection with the proposed subscription of equity interests in Bengbu Institute by the Company and Bengbu Huajin, such subscription to be settled by way of transfer from the Company and Bengbu Huajin of their respective equity interests in China Triumph (a non-wholly-owned subsidiary of the Company immediately before the completion of the transaction) to Bengbu Institute. The Company and Bengbu Huajin will respectively subscribe to 45.08% and 4.45% of the registered capital in Bengbu Institute, in exchange for the transfer by the Company and Bengbu Huajin of their respective 91% and 9% equity interests in China Triumph to Bengbu Institute.

The relevant appraised value of each of the entire equity interest of Bengbu Institute and China Triumph was RMB3,395,399,559.44 and RMB5,393,718,067.25, respectively. The agreed value of the equity interests of China Triumph being transferred by the Company to Bengbu Institute as consideration (being the 91% equity interests in China Triumph) for the subscription of registered capital of Bengbu Institute, was RMB3,033,410,441.20.

After completion of the transaction, Bengbu Institute would hold 100% equity interests in China Triumph, whereas China Triumph would cease to be a subsidiary of the Company, and the Company's equity interests in China Triumph would be held indirectly through its shareholding in Bengbu Institute.

China Triumph is the only entity within the Group that operates the Glass Engineering Business, and is not a principal business of the Group. Bengbu Institute is a leader and the source of certain technologies in the new glass materials industry in the PRC with strong research and development capabilities. It engages in technology research and development, technical services and production and sales of products in the field of new glass materials. Upon Completion, China Triumph will cease to be a subsidiary of the Company and will become a wholly-owned-subsidiary of Bengbu Institute. The Company will become the second largest shareholder of Bengbu Institute with 45.08% shareholding and will share in the profits of Bengbu Institute's new glass materials business as enhanced by the synergy arising from the technological innovation that Bengbu Institute may bring to the business of China Triumph and its increased capacity as a result of the transaction. The transaction will also enable the Company to focus on its cement production line business under its engineering services segment.

For details of the subscription for equity interest of Bengbu Institute by the Company with its equity interest in China Triumph, please refer to the announcement dated 8 December 2021, the circular dated 9 December 2021 and the announcement dated 30 December 2021 of the Company. As of the date of this report, the transaction of subscription for equity interest of Bengbu Institute by the Company with its equity interest in China Triumph 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 2021, 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 26 March 2021, pursuant to the authorisation granted at the 2020 Annual General Meeting held on 14 May 2021, 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 2021 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 RMB105,473,236.11.

ISSUE OF DEBENTURES

During the Reporting Period, the Company issued the following debentures in an aggregate principal amount of RMB15.5 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 RMB4.0 billion, par value of RMB100. During the Reporting Period, the Company completed issuance of four tranches of corporate notes for cash in an aggregate principal amount of RMB7.0 billion, par value of RMB100. During the Reporting Period, the Company completed issuance of four tranches of the super short-term commercial paper for cash in an aggregate principal amount of RMB4.5 billion, par value of RMB100.

By order of the Board
Zhou Yuxian
Chairman of the Board

Beijing, the PRC
25 March 2022

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, the 2020 interim report, 2020 annual report and 2021 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"). As of the date of this report, Taishan's payment obligations under the Settlement Agreement have been competely performed.

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. As of the date of this report, the litigation of 21 plaintiffs has been concluded, and the litigation of the remaining 69 plaintiffs will be ongoing.

In addition to the multi-district consolidated litigation cases involved in the above settlements, there has also been litigation brought by builders and suppliers. Among them, The Mitchell Co., Inc against Knauf Gips KG has been settled and the settlement payment has been made, and other cases are still ongoing. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further disclosure if and when necessary or appropriate.

II. MATERIAL TRANSACTIONS

Restructuring of Cement Assets

According to the indicative agreements entered into on 7 August 2020, (i) the Company sold its equity interests in China United Cement, South Cement, Southwest Cement and Sinoma Cement ("Target Companies"), all of which are subsidiaries of the Company, to Tianshan Cement (a subsidiary of the Company and whose A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877)); and (ii) Tianshan Cement acquired equity interests in South Cement or Southwest Cement (as the case may be) from certain minority shareholders ("Restructuring of Cement Assets").

On 2 March 2021, the Company entered into a supplemental agreement with Tianshan Cement to agree on the consideration of the relevant transactions under the Restructuring of Cement Assets. The consideration shall be paid in the form of consideration shares issued by Tianshan Cement. On the same date, Tianshan Cement entered into a supplemental agreement with each of the 25 minority shareholders of South Cement or Southwest Cement (as the case may be) to agree on the consideration of the relevant transactions under the Restructuring of Cement Assets. The consideration shall be paid in consideration of shares issued by Tianshan Cement and/or in cash.

The Restructuring of Cement Assets was in substance a group reorganisation which would result in a net disposal of approximately 7.43% interest, and a maximum net disposal (taking into account the compensation arrangements) of approximately 54.13% interest, in the Target Companies by the Company to the minority shareholders of Tianshan Cement. Upon completion of the Restructuring of Cement Assets, the Target Companies and Tianshan Cement would remain as subsidiaries of the Company, and the Company's equity interests in the Target Companies would be held indirectly through Tianshan Cement.

The Restructuring of Cement Assets (after taking into account the extreme case of the compensation arrangements) constituted a major transaction of the Company under Chapter 14 of the Listing Rules and was approved by Shareholders in an extraordinary general meeting of the Company held on 23 March 2021.

On 10 August 2021, the Company entered into a profit guarantee agreement with Tianshan Cement in connection with the Company's provision of a profit guarantee to Tianshan Cement with respect to the Target Companies, in order to facilitate the smooth progression of the Restructuring of Cement Assets.

The abovementioned indicative agreements and supplemental agreements would not take effect until the fulfillment of the relevant conditions to effectiveness. As of the date of this report, the Restructuring of Cement Assets has been completed.

For details of the transactions contemplated under the Restructuring of Cement Assets, please refer to the Company's announcements dated 24 July 2020, 7 August 2020, 2 March 2021, 23 March 2021, 10 August 2021, 10 September 2021 and 28 October 2021 and the circular dated 4 March 2021.

II. MATERIAL TRANSACTIONS *(CONTINUED)*

Establishment of a Joint Venture – Variation to the Terms of the Shareholders Agreement and its Supplementary Agreement

Reference is made to the announcements of the Company dated 27 September 2019 and 27 December 2019 in relation to the entering of a shareholders' agreement between China United Cement (a wholly-owned subsidiary of the Company) and Henan Investment Group Co., Ltd. ("Henan Investment Group") for the establishment of the joint venture, Henan China United Tongli material Co., Ltd. ("Henan China United").

On 24 May 2021, China United Cement and Henan Investment Group entered into the Amended and Restated Cooperation Agreement afresh, whereby China United Cement will, by injecting its equity interests in some of its subsidiaries, contribute RMB6,000 million (representing 60% of the registered capital of Henan China United) to the registered capital of Henan China United; Henan Investment Group will, by injecting the re-valuated injected assets, contribute RMB4,000 million (representing 40% of the registered capital of Henan China United) to the registered capital of Henan China United. The proportion of the value of those assets to be injected to the registered capital by the parties, which exceeds the respective registered capital contribution subscribed by each party, will be recognized as Henan China United's capital reserve. In order to make the parties' contribution to Henan China United's capital reserve in proportionate to the parties' contribution to Henan China United's registered capital, China United Cement will pay a corresponding amount in cash to make up its contribution to Henan China United's capital reserve.

As the other shareholder of Xinan China United Wanji Cement Co., Ltd. ("Xin'an China United") did not give up the right of first refusal, the equity interests of Xin'an China United that China United Cement planned to invest in the joint venture could not be transferred to the joint venture. After negotiation and agreement between the two parties, China United Cement will make up to the joint venture an appraised value of RMB350 million of the 51% equity interests in Xin'an China United in cash.

For details of establishment of joint venture and variation to the terms of the shareholders agreement and its supplemental agreement, please refer to the Company's announcement dated 24 May 2021. As of the date of this report, the transaction has been completed.

II. MATERIAL TRANSACTIONS *(CONTINUED)*

Subscription for Equity Interest of Bengbu Institute by the Company with its Equity Interest in China Triumph

Please refer to the related content in the section headed "Connected Transactions – Partially Exempt Connected Transactions" for the transaction. In this transaction, the Company transferred the equity interests in China Triumph to Bengbu Institute, which constituted a disposal; the subscription of the registered capital of Bengbu Institute constituted an acquisition. The two percentage ratios applicable to the disposal exceed 5%, so the connected transaction also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

For the details regarding the subscription for equity interest of Bengbu Institute by the Company with its equity interest in China Triumph, please refer to the Company's announcement dated 8 December 2021, the circulars dated 9 December 2021 and the announcement dated 30 December 2021. As of the date of this report, the subscription for equity interest of Bengbu Institute by the Company with its equity interest in China Triumph has been completed.

Report of the Supervisory Committee

Dear shareholders,

During the Reporting Period, the fourth and fifth 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, established a comprehensive supervision system including meeting supervision, financial supervision, duty performance supervision, information disclosure supervision, etc., strictly performed supervision duties, effectively safeguarded the interests of the Company and all Shareholders and played a positive role in corporate governance, risk management and lawful operation. The specific situation is reported as follows:

During the Reporting Period, the Supervisory Committee held a total of four 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 nine resolutions, including the Supervisory Committee Working Report of the Company for 2020, the auditor's report and audited financial statements of the Company for 2020, the profit distribution plan and the final dividend distribution plan for 2020, the 2021 interim report and interim results announcement, the 2021 review report for interim financial information and the 2021 half-yearly report, the distribution of interim dividends for 2021, re-election of the Supervisory Committee, the decision on the fees of non-staff representative Supervisors, and the election of the chairman of the fifth session of the Supervisory Committee.

Lawful operation of the Company. During the Reporting Period, the Supervisory Committee attended 16 Board's meetings and four Shareholders' meetings in total, and supervised the procedures and contents of the meetings and the Board's implementation of resolutions of Shareholders' meeting. The Supervisory Committee is of the opinion that, the operation and management activities of the Company comply with the relevant provisions of the Company Law, Listing Rules, the Articles of Association of the Company, and there are no violations of laws or regulations, the decision-making procedures and contents are in compliance of laws, and the internal risk management and control systems are optimal. 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 and senior managers 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 the Company, Shareholders 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. 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, and requirements set out in the International Financial Reporting Standards. The committee also confirms that the Company has carried out standard financial audits, established and improved financial system, operated proper financial strategies and put in place a proper control of financial risk management. Having reviewed relevant information including the 2021 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 a true, accurate, fair and complete view of the financial position and operating results of the Company, without false statements, misleading representations or material omission.

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 and other matters of the Company. The Supervisory Committee is of the view that the Company has formulated a relatively perfect information disclosure management system, and can timely and properly perform its information disclosure duties in accordance with relevant laws, regulations and regulatory provisions, and the disclosed contents are truthful, accurate, complete and effective, without false statements, misleading representations or material omission.

The Company has always adhered to green development, carried out the major strategic deployment of carbon peak and carbon neutralization, and continued to promote industrial upgrading, reduce energy consumption and improve the Company's efficiency. In the face of the severe and complex external environment, the depression of the international economic environment and the increase of domestic economic pressure under the influence of the epidemic, the Company has made steady progress and improved quality, achieved a number of scientific and technological innovation achievements, actively promoted segment integration and segment scientific management, completed the cement segment integration with Tianshan Cement as the main body and the engineering service segment integration with Sinoma International as the main body, continuously consolidated the market-oriented results and made new breakthroughs in business performance. The Supervisory Committee is satisfied with the Company's efforts and it hopes that in 2022, the Board and the senior management will continue to perform their duties diligently, 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 as a whole, in compliance with relevant laws, administrative regulations and the Articles of Association of the Company.

Zhan Yanjing
Chairman of the Supervisory Committee

Beijing, the PRC

25 March 2022

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Zhou Yuxian, born in April 1963, is the chairman of the Board and an executive Director of the Company. Mr. Zhou has abundant experience in materials engineering, corporate reorganization and restructuring, international operation, equity investment, and fund management, etc. Mr. Zhou has been the chairman of the Board and an executive Director of the Company since November 2021 has been a member of the investment committee of CNBM (Anhui) New Materials Industry Investment Fund Partnership (Limited Partnership) (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)) and the chairman and a director of CNBM (Anhui) New Materials Fund Management Company Limited (中建材(安徽)新材料基金管理有限公司) since October 2021, and the chairman of the board of the Parent since November 2019. He served as a vice chairman of the board of China Reform Holdings from June 2014 to November 2019, an executive director and the general manager of CNIC Corporation Limited* (國新國際投資有限公司) from January 2011 to November 2019, a deputy general manager of China Reform Holdings from December 2010 to June 2014, an executive director and the president of Sinoma from March 2009 to December 2010, a deputy general manager of Sinoma Parent from July 2007 to May 2009, a non-executive director of Sinoma from July 2007 to March 2009, a deputy general manager of China National Materials Science and Industry Group Corporation* (中國材料科工集團公司) from August 2006 to July 2007, a deputy general manager of China Non-Metal Mining Industry (Group) Corporation* (中國非金屬礦工業(集團)總公司) from September 2000 to August 2006, the dean of the China Non-Metal Research Institute of Synthetic Crystals* (中非公司人工晶體研究院) from April 2000 to September 2000. He successively served as an assistant to the head, a deputy head and the head of the Synthetic Crystals Research Institute* (國家建材局人工晶體所) from February 1992 to April 2000, the group leader, line leader, deputy director and director of the fifth room of the Synthetic Crystals Research Institute from August 1983 to February 1992. Mr. Zhou obtained his bachelor's degree of engineering from Central South Mining and Metallurgy College* (中南礦冶學院) in July 1983, and a master's degree of engineering from the School of Materials Science and Engineering at Wuhan University of Technology* (武漢理工大學材料科學與工程學院) in December 2003. Mr. Zhou is a professor-level senior engineer and a specialist entitled to the special government allowance approved by the State Council of the PRC. Mr. Zhou is currently a vice president of the China Chamber of International Commerce* (中國國際商會), a joint executive vice president of the China Building Materials Federation* (中國建築材料聯合會), and a director, standing director and vice president of the China Association of Construction Enterprise Management* (中國施工企業管理協會), and a visiting practicing professor at the School of Economics and Management of Tsinghua University* (清華大學經濟管理學院).

DIRECTORS *(CONTINUED)*

Mr. Chang Zhangli, born in December 1970, is the president and an executive Director of the Company. Mr. Chang has extensive business and management experience in the building materials industry, and has participated in the major matters relating to the IPO of the Company, issuance of new shares, capital operation, business restructuring and corporate governance of the Company. Mr. Chang has served as the director of Sinoma Science & Technology since January 2022, the chairman of Tianshan Cement since December 2021, the chairman of the board of China Jushi since October 2021, has been a member of the investment committee of CNBM (Anhui) New Materials Industry Investment Fund Partnership (Limited Partnership) (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)) and a director of CNBM (Anhui) New Materials Fund Management Company Limited (中建材(安徽)新材料基金管理有限公司) since October 2021, the president and an executive Director of the Company since August 2021, the deputy general manager of the Parent since June 2018, a non-executive Director of the Company from June 2018 to August 2021, a director of Jushi Group Co., Ltd. since May 2016, and the chairman of the board of Southwest Cement from April 2016 to January 2022. He has been a director of Southwest Cement from December 2011 to January 2022. He acted as the vice chairman of the board of Southwest Cement from December 2011 to March 2016. He was an executive Director of the Company from November 2011 to June 2018, a director of BNBM from July 2008 to April 2019, a vice president of the Company from August 2006 to June 2018, a director of China Jushi* (中國巨石) 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 a senior engineer who received a bachelor's degree in engineering from Wuhan Industrial University* (武漢工業大學) (now known as Wuhan University of Technology* (武漢理工大學)) in July 1994 and received an MBA degree from Tsinghua University* (清華大學) in July 2005. Currently, Mr. Chang concurrently serves as the vice chairman of China Association for Public Companies* (中國上市公司協會) and the vice chairman of The Listed Companies Association of Beijing* (北京上市公司協會). Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements* (國家級企業管理現代化創新成果).

Mr. Fu Jinguang, born in December 1973, is an executive Director and the chairman of the labour union of the Company. Mr. Fu has extensive business and management experience in the non-metallic materials industry. Mr. Fu has been a director and vice chairman of Tianshan Cement since December 2021, an executive Director of the Company since September 2020, the secretary to the board of directors and assistant to the general manager of the Parent since August 2021, the chairman of the labour union of the Company since December 2019, the chairman of the supervisory committee of BNBM since September 2020, a director of Qilianshan and Qilianshan Holdings since August 2020, and a director of Sinoma International and South Cement since April 2020. He served as a vice president of Sinoma from September 2016 to May 2018. He took the positions of 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, etc. from August 2009 to September 2016. He served as a deputy head of the president office of Sinoma from August 2007 to August 2009, the secretary to the general office of China National Materials Industry Group Corporation Limited* (中國材料工業科工集團公司) (Sinoma Parent) from July 2006 to August 2007. Mr. Fu is a senior engineer.

DIRECTORS *(CONTINUED)*

Mr. Xiao Jiaxiang, born in September 1963, is a vice president and an executive Director of the Company. Mr. Xiao has extensive experience in business management, regional economics, especially in group strategic management and international capital market financing. He has been the president of Tianshan Cement since December 2021, an executive Director of the Company since November 2021, the chairman of South Cement since October 2021, 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 director of South Cement since February 2009. the served as a vice president of the Company from June 2009 to March 2002, president of Tianrui Corporation Ltd.* (天瑞集團有限公司) from February 2006 to December 2008, and concurrent chairman and general manager of Tianrui Cement. From November 2001 to January 2006, he successively held the positions of a deputy party secretary of the Daye Municipal Party Committee, mayor and secretary of the Municipal Party Committee, and director of the Standing Committee of the Municipal People's Congress of Daye City. From July 1991 to November 2001, he successively held various positions in Huaxin Cement Cement (Group) Co., Ltd.* (華新水泥(集團)股份公司), including the position of a director and the vice general manager. He successively served as an engineer and the head of the workshop of Shuicheng Cement Plant* (水城水泥廠) from July 1982 to July 1991. Mr. Xiao received a bachelor's degree from Wuhan Institute of Building Materials Industry* (武漢建築材料工業學院) in August 1982, a master's degree from Wuhan Industrial University* (武漢工業大學) in July 1997 and a doctor's degree from Huazhong University of Science and Technology* (華中科技大學) in July 2004. He is awarded the title of professor-grade senior engineer and is entitled to a special government allowance from the State Council of the People's Republic of China. At present, Mr. Xiao concurrently acts as a vice chairman of China Cement Association* (中國水泥協會). He was granted the honours of a National Outstanding Entrepreneur* (全國優秀企業家), a National Outstanding Scientific Worker* (全國優秀科技工作者), 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 and an executive Director of the Company. Mr. Wang has accumulated extensive business management experience in the building materials industry. He has been the general legal counsel of the Company since December 2021, an executive Director of the Company since November 2021, 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 the 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 Industrial University* (武漢工業大學自動化系) (now known as Wuhan University of Technology* (武漢理工大學)) in July 1994 and received an MBA degree from China Europe International Business School* (中國際工商學院) in September 2005. Mr. Wang obtained a doctor's degree in management science and engineering from Wuhan University of Technology* (武漢理工大學) in June 2012. Mr. Wang is a professor-grade senior engineer. At present, Mr. Wang concurrently acts as a vice chairman of China Real Estate Association* (中國房地產業協會), the vice chairman of China Real Estate Chamber of Commerce, and the vice chairman of China Building Materials Federation. 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), 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).

DIRECTORS *(CONTINUED)*

Mr. Li Xinhua, born in July 1964, is a non-executive Director of the Company. Mr. Li has extensive experience in the non-metal materials industry. Mr. Li has been a non-executive Director of the Company since November 2021, the general manager of the Parent since October 2021, the chairman of the board 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, the chairman of Supervisory Committee of the Company from June 2018 to November 2021, a director of the Parent since August 2016, a director of CNBM Group Finance Co., Ltd* (中國建材集團財務有限公司) (formerly known as Sinoma Group Finance Co., Ltd* (中材集團財務有限公司)) since April 2013. Mr. Li served as the vice chairman of the board of directors of Sinoma from February 2013 to May 2018, the general manager of Sinoma Parent from February 2013 to August 2016, the president of Sinoma from January 2011 to October 2014, and the president of Sinoma Science & Technology from October 2009 to August 2010. He has been serving as a director of Sinoma Science & Technology from May 2003 to January 2022, and as the chairman of the board of directors 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 Group. 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 doctoral degree in material science from Wuhan University of Technology* (武漢理工大學) in 2010. He is a professorate senior engineer, and is entitled to a special government allowance approved by the State Council of the People's Republic of China. 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 Ceramic Society* (中國矽酸鹽學會), 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 non-executive Director of the Company. Mr. Wang has extensive experience in corporate management. Mr. Wang has been serving as a non-executive Director of the Company since November 2021, the chairman of the board of BNBMG since September 2021, a Supervisor of the Company from May 2020 to November 2021, a director of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司) since September 2019, and a deputy general manager of the Parent since August 2019. He served as the department head of the organization and personnel department of the party committee (also known as the general manager of the human resources department) of the Parent from August 2019 to February 2020. Mr. Wang also served as an employee director, chairman of the labour union, and the department head of the organization and personnel department of the party committee (also known as the general manager of the human resources department) of the Parent from September 2018 to August 2019, an employee director, chairman of the labour union, and the general manager of the human resources department of the Parent from September 2016 to September 2018, an employee director, chairman of the labour union, and the general manager of the human resources department of the Parent from June 2013 to September 2016, the general manager of the human resources department of the Parent from March 2010 to June 2013, the office director of the Parent from February 2007 to March 2010, a deputy general manager of the human resources department of the Parent from September 2005 and February 2007, and a deputy director of the office of the Parent from April 2005 to September 2005. He also successively worked at the Ministry of Materials* (國家物資部), the Ministry of Domestic Trade* (國內貿易部), the State Council Compliance Inspectors' General Office* (國務院稽查特派員總署), the Supervisory Board of State-owned Enterprises* (國有企業監事會) and several central enterprises. Mr. Wang is also a senior economist and a researcher.

DIRECTORS *(CONTINUED)*

Mr. Peng Shou, born in August 1960, is a non-executive Director, the chief engineer and chief scientist of the Company. Mr. Peng has extensive business and management experiences in the building materials industry. Mr. Peng has served as the chairman of Bengbu Institute since December 2021, a non-executive Director of the Company since November 2021, the chief engineer and chief scientist of the Company since August 2021, the chief engineer of the Parent since August 2020, and the chairman of the board of China Triumph since September 2004. He served as an executive Director of the Company from June 2006 to November 2021, the president of the Company from June 2018 to August 2021, a vice president of the Company from March 2005 to June 2018, the president of China Triumph from May 2002 to December 2018 and a deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng received a bachelor's degree in engineering from Wuhan Institute of Building Material Industry* (武漢建築材料工業學院) (now known as Wuhan University of Technology* (武漢理工大學)) in December 1982 and a master's degree in management from Wuhan Industrial University* (武漢工業大學) in June 2002. Mr. Peng is qualified as a professor-level senior engineer and is entitled to the special government allowance approved by the State Council of the People's Republic of China. 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), a vice chairman of the Chinese Ceramic Society* (中國矽酸鹽學會) and a vice president of China Building Materials Federation* (中國建築材料聯合會). Mr. Peng is a member of the Chinese Academy of Engineering* (中國工程院). 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* (中國工程院光華工程科技獎), Science and Technology Innovation Award for 2015 of Ho Leung Ho Lee Foundation* (2015年度"何梁何利基金科學與技術創新獎"). He is a National Engineering Survey and Design Master* (國家級工程勘察設計大師), and is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project* (新世紀百千萬人才工程) and State Outstanding Technical Officer* (全國優秀科技工作者).

Mr. 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 a non-executive Director of the Company since June 2018, successively a deputy general manager of the equity management department and a deputy general manager of the No. 1 strategic client department of Cinda since October 2016, a non-executive director of Sinoma from July 2016 to May 2018, and a director of Wengfu (Group) Co., Ltd.* (甕福(集團)有限責任公司) since December 2013. He served as an assistant to the general manager of the equity business department of Cinda from September 2013 to October 2016, successively as a deputy manager of the investment banking department and a deputy manager, manager, senior deputy manager and senior manager of the equity management department of Cinda from May 1999 to September 2013, a project manager of the trust investment banking department in Cinda from May 1998 to May 1999, a manager of the business department of Hyde International Investment Ltd.* (海德國際投資有限公司) from May 1994 to April 1998, and he worked in Capital Steel Beijing Lingyun Building Materials & Chemical Co., Ltd.* (首鋼北京凌雲建材化工有限公司) from July 1990 to April 1994. Mr. Shen obtained a bachelor's degree in English from Wuhan University of Technology* (武漢理工大學) in June 1990. He is an economist.

DIRECTORS *(CONTINUED)*

Ms. Fan Xiaoyan, born in October 1965, is a non-executive Director of the Company. Ms. Fan has extensive experience in accounting. She has been a non-executive Director of the Company since June 2018, a director and general manager of Tai'an Taishan Finance Investment Group Co.,Ltd.,* (泰安市泰山財金投資集團有限公司) since July 2017. She served as deputy director of the investment and finance management office of Tai'an Bureau of Finance of Tai'an Municipal Government* (泰安市財政局泰安市政府投融資管理辦公室) from March 2006 to July 2017, successively as the deputy head and head of Tai'an Bureau of Finance* (泰安市財政局) 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 graduated from the Party School of the CPC Central Committee* (中央黨校) with a bachelor's degree in foreign-related economics in December 1998, and graduated with a postgraduate degree from the Party School of Shandong Provincial Party Committee* (山東省委黨校) in June 2008, majoring in economic management. She was selected into the Ministry of Finance's debt management talent pool in December 2020 and is a senior accountant.

Mr. Sun Yanjun, born in March 1970, is an independent non-executive Director of the Company. Mr. Sun has accumulated extensive experience in private equity investment as well as merger and acquisition and overseas listing of Chinese companies. Mr. Sun has been serving as an independent non-executive Director of the Company since October 2014. He served as the chief executive officer of C.M. Capital Advisors (HK) Limited from June 2020 to July 2021. He has been serving as the chairman of Synergy Capital Advisor since October 2018. He served as a non-executive director of Phoenix Media Investment (Holdings) Limited* (鳳凰衛視投資(控股)有限公司) from November 2013 to September 2019, a non-executive director of Xinyuan (China) Real Estate Co., Ltd.* (鑫苑(中國)置業有限公司) from September 2013 to May 2018, a global partner and managing director of TPG Capital from August 2011 to October 2018, a non-executive director of China Yurun Food Group Limited* (中國雨潤食品集團) from November 2007 to January 2010, a managing director of the direct investment department of Goldman Sachs from June 2006 to May 2011, a vice president of Morgan's Stanley's Hong Kong Investment Banking Department from July 2004 to May 2006, a manager in General Electric Company from September 2002 to May 2004, and an associate in Citigroup from September 1997 to February 2000. Mr. Sun received a bachelor's degree in international finance from Renmin University of China* (中國人民大學) in July 1992 and an MBA degree from the University of Michigan in May 1997.

DIRECTORS *(CONTINUED)*

Mr. Liu Jianwen, born in May 1959, is an independent non-executive Director of the Company. Mr. Liu has accumulated extensive experience in the fields of fiscal and tax law, economic law and intellectual property law. Mr. Liu has been 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 a professor and doctoral tutor of the Law School of Peking University* (北京大學法學院) since July 1999. Mr. Liu served as an associate dean in the Law School of Wuhan University* (武漢大學法學院) from January 1997 to October 1997, a professor and a doctoral tutor of the Law School of Wuhan University from May 1995 to December 1999 and a lecturer and an associate professor of the Law School of Wuhan University from July 1986 to April 1995. Mr. Liu obtained a bachelor's degree in economics from Anhui University of Finance & Economics* (安徽財經大學) in June 1983, a master's degree in law in China University of Political Science and Law* (中國政法大學) in June 1986 and a doctorate degree in law from Wuhan University in June 1997 and completed his postdoctoral program in law from Peking University* (北京大學) in June 1999. Mr. Liu is currently an independent director of Shandong Hongchuang Aluminum Industry Holding Company Limited* (山東宏創鋁業控股股份有限公司), an independent director of Beijing Aosaikang Pharmaceutical Co., Ltd.* (北京奧賽康藥業股份有限公司), an independent director of Shandong Expressway Co., Ltd.* (山東高速股份有限公司) and Changzhou Tronly New Electronic Materials Co., Ltd.* (常州強力電子新材料股份有限公司). Mr. Liu is also serving as the chairman of China Association for Fiscal and Tax Law* (中國財税法學研究會), a legislative expert advisor of the NPC Standing Committee, an expert advisory committee member of the Supreme People's Procuratorate, a legal consultant of the Beijing Municipal Committee of the Communist Party of China* (中共北京市委), a legal consultant of the Ministry of Finance of the People's Republic of China and a legal consultant of Qingdao Municipal People's Government. Mr. Liu received various awards, including the third prize of Qian Ruisheng Outstanding Book Award* (錢端升優秀著作三等獎), the first prize of Beijing Philosophy and Social Science Research Outstanding Achievement Award* (北京市哲學社會科學研究優秀成果一等獎) and the second prize of the Outstanding Achievement Award in Philosophy and Social Science Research of National Higher Educational Institutions * (全國高等學校哲學社會科學研究優秀成果二等獎).

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 been an independent non-executive Director of the Company since May 2016. He served as a deputy inspector of the Enterprise Reform Bureau of the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國資委企業改革局) from July 2003 to December 2009, the director of State-owned Assets Administration Research Department of Research Institute for Fiscal Science of Ministry of Finance* (財政部財政科學研究所國有資產管理研究室) from September 2001 to July 2003, a deputy director of Difficulty Relief Working Office for Stated-owned Enterprises of the State Economic and Trade Commission* (國家經貿委國有企業脱困辦公室) from December 1997 to September 2001, a deputy director of the Stated-owned Assets Administration Research Institute* (國有資產管理研究所) from July 1995 to December 1997, a deputy director and the division director of the State-owned Assets Administration Bureau* (國家國有資產管理局) from December 1991 to July 1995 and a deputy director of China National Heavy Duty Truck Group Co., Ltd * (中國重型汽車集團公司) from August 1986 to December 1991. Mr. Zhou graduated from Specialised Cadre Development Department of Hunan University* (湖南大學管理工程專業幹部專修科) majoring in engineering management in July 1985 and completed the postgraduate course in Enterprise Management provided by Renmin University of China* (中國人民大學) in July 1995. Mr. Zhou is currently serving as an independent supervisor of Sinotrans Limited* (中國外運股份有限公司) and an independent non-executive director of Hengan International Group Company Limited* (恒安國際集團有限公司).

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 of the PRC from March 2012 to January 2017, a deputy general manager of Dalian Commodity Exchange* (大連商品交易所) 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* (山東廣播電視大學) in June 1986 majoring in industrial accounting, and obtained a master's degree in accounting from the faculty of accounting of Dongbei University of Finance and Economics* (東北財經大學) in April 1992 and a doctoral 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* (中國註冊資產評估師非執業會員). At present, Mr. Li concurrently serves as an independent director of BOCI Securities Limited (中銀國際證券股份有限公司) and an independent director of China Railway Materials Company Limited* (中國鐵路物資股份有限公司).

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, corporate governance of listed companies, legal system for securities and other fields. She has been serving as an independent non-executive Director of the Company since May 2016, and a senior partner of Zhihe Partners* (至合律師事務所) since January 2020. She served as the vice president of Shanghai Shipping Freight Exchange Co., Ltd* (上海航運運價交易有限公司) from January 2012 to December 2019. From June 1997 to December 2011, she was the executive manager of Shanghai Stock Exchange, she was a lawyer and a partner of Shanghai Second Legal Firm* (上海市第二律師事務所) from July 1990 to June 1997. Ms. Xia obtained her bachelor's degree in economic law from East China University of Political Science and Law* (華東政法大學) in July 1990, a master's degree in Business Administration from Tongji University* (同濟大學) in July 1998 and a doctoral degree in law from East China University of Political Science and Law* (華東政法大學) in July 2010. She is a lawyer. At present, Ms. Xia concurrently serves as an independent director of Shanghai Kehua Bio-Engineering Co. Ltd.* (上海科華生物工程股份有限公司) and Shanghai Wanye Enterprises Co., Ltd.* (上海萬業企業股份有限公司), an arbitrator of the Shanghai Arbitration Commission, and an external director of Shanghai Hongkou Commercial (Group) Co., Ltd.* (上海虹口商業(集團)有限公司).

SUPERVISORS *(CONTINUED)*

Ms. Zhan Yanjing, born in January 1963, is the chairman of the Supervisory Committee and a Supervisor representing Shareholders of the Company. Ms. Zhan has extensive experience in financial accounting and capital operation. Ms. Zhan has been the chairman of the Supervisory Committee and a Supervisor representing Shareholders of the Company since November 2021, the chairman of the board of CNBM Trading since February 2020, a non-executive Director of the Company from December 2019 to November 2021, the chairman of CNBM Group Finance Co., Ltd.* (中國建材集團財務有限公司) since September 2019, a director of Sinoma Energy Conservation Ltd.* (中材節能股份有限公司), the chief accountant of the Parent since August 2019. She served as a director of CNBM Industrial Fund Management Co., Ltd.* (中建材產業基金管理有限公司) from September 2019 to June 2020, a vice president and the chief financial officer of CRRC Corporation Limited* (中國中車股份有限公司) from May 2015 to August 2019, a vice president and the chief financial officer of CSR Corporation Limited* (中國南車股份有限公司) from December 2007 to May 2015, the chief accountant of China Southern Locomotive & Rolling Stock Industry (Group) Corporation* (中國南方機車車輛工業集團公司) from April 2005 to December 2007. Ms. Zhan successively served as the manager of the finance department, manager of the financial planning department and assistant to the general manager of Beijing Foton Motor Co., Ltd* (北京福田汽車股份有限公司) from April 1999 to April 2005. She also held various positions in Henan Diesel Engine Plant* (河南柴油機廠) of China State Shipbuilding Corporation* (中國船舶工業總公司) from August 1983 to April 1999 including the chief economist, director and deputy general manager. Ms. Zhan obtained a bachelor's degree in engineering from Huazhong Institute of Technology* (華中工學院) (now known as Huazhong University of Science and Technology* (華中科技大學)) in August 1983 and obtained an EMBA degree from Peking University* (北京大學) in May 2005. She is a senior accountant.

Mr. Wei Rushan, born in December 1974, is a Supervisor representing Shareholders of the Company. Mr. Wei has accumulated extensive experience in corporate investment and development. Mr. Wei has been a Supervisor representing Shareholders of the Company since November 2021, a deputy general manager of the Parent since March 2021, the general manager of the strategic development department of the Parent since February 2020, an assistant to the general manager of the Parent from April 2019 to March 2021, the general manager of the investment and development department of the Parent from June 2016 to February 2020, a deputy general manager of the investment and development department of China National Building Materials Group Corporation* (中國建築材料集團有限公司) from March 2010 to June 2016 and an assistant to the general manager of the investment development department of China National Building Materials Group Corporation* from July 2006 to March 2010. Mr. Wei obtained a bachelor's degree in economics from Shandong University of Economics* (山東經濟學院) in July 1997 and a doctoral degree in political economy from the School of Economics of Renmin University of China* (中國人民大學經濟學院) in June 2007. He is a senior economist.

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

SUPERVISORS *(CONTINUED)*

Ms. Hu Juan, born in February 1972, is a Supervisor representing Shareholders of the Company. Ms. Hu has accumulated rich experience in financial management and enterprise management. Ms. Hu has been a Supervisor representing Shareholders of the Company since November 2021, the general manager assistant and director of operation and information management department of BBMG Group since October 2018, the chairman of BBMG Finance Lease Co., Ltd.* (金隅融資租賃有限公司) from October 2018 to February 2020, a director of Tianjin Building Materials Group (Holdings) Co., Ltd.* (天津市建築材料集團(控股)有限公司) from October 2018 to March 2019; an assistant to the general manager and director of finance and capital department of BBMG Group and a director of the financial management department of BBMG from October 2018 to January 2019. Ms. Hu Juan graduated from Anhui Finance and Economics University* (安徽財經大學) with a bachelor's degree in economics in July 1994. She also graduated from Hong Kong Baptist University with a master of science degree in applied accounting and finance in September 2012. She is a senior accountant as well as a certified public accountant. Ms. Hu has been awarded the Beijing Model Worker* (北京市勞動模範), the National 1 May Heroine Model* (全國五一巾幗標兵), and the Top Ten Female in National Building Materials Industry (Fifth Session)* (第五屆全國建材行業十大女傑).

Mr. Wu Weiku, born in March 1961, served as an independent Supervisor of the Company until 28 February 2022. Mr. Wu has accumulated extensive experience in strategic management, corporate 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* (清華大學經濟管理學院領導力與組織管理系) since December 2008. He was a visiting professor of The Wharton School of the University of Pennsylvania 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* (清華大學經濟管理學院). Mr. Wu received a bachelor's degree in machinery manufacturing from Northeastern University* (東北大學) in 1983, a master's degree in mechanical engineering from Harbin Institute of Technology* (哈爾濱工業大學) in 1987, and a doctorate degree in mechanics from Tsinghua University* (清華大學) 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.* (中融基金管理有限公司). He is the author of six monographs including "Happy Attitude"* (《陽光心態》), "Emotional Intelligence and Influence"* (《情商與影響力》), "Followership"* (《追隨力》), "Regarding Value as the Base"* (《以價值觀為本》), "Competition and Game"* (《競爭與博弈》), and "Leadership"* (《領導學》). Mr. Wu has been awarded the Excellent Tutor* (教學優秀獎) and Outstanding Contributor* (突出貢獻獎) of Executive Education Center by Tsinghua University School of Economics and Management* (清華大學經濟管理學院高管教育中心) for consecutive years. His work "Happy Attitude"* (《陽光心態》) was awarded "The Best-Selling Books" by The Society of Publishers in Asia* (出版業協會最佳熱銷圖書獎) and he was honored as "The Most Influential Authors" by the China Machine Press for its 60th anniversary* (機械工業出版社60週年"最具影響力作者").

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 legal field. 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* (中央財經大學法律碩士教育中心) since November 2015. From June 2010 to November 2015, he served as the head of the Office of Legal Affairs* (法律事務辦公室) and an associate professor of Central University of Finance and Economics* (中央財經大學). Between November 2003 and May 2010, he served as an associate professor and a deputy dean of the School of Law of Central University of Finance and Economics* (中央財經大學法學院). He obtained a doctoral degree in litigation law from the School of Civil, Commercial and Economic Law of China University of Political Science and Law* (中國政法大學民商經濟法學院訴訟法學博士學位) in July 2011. Mr. Li is an independent director of BOE Technology Group Co., Ltd.* (京東方科技集團股份有限公司), an independent director of Beijing DaBeiNong Technology Group Co. Ltd.* (北京大北農科技集團股份有限公司), an independent director of Beijing Yandong Microelectronics Company Limited* (北京燕東微電子股份有限公司) and concurrently serves as the executive director of the Public Policy Research Center of China University of Political Science and Law* (中國政法大學公共決策研究中心). He is an acting director of the Lawyers Law Research Committee of China Law Society* (中國法學會律師法學研究會), a vice chairman of the legislative committee of Beijing Committee of the China Democratic League* (民盟北京市委法制委員會委員副主任), He is also a part-time lawyer and arbitrator.

Ms. Zeng Xuan, born in June 1982, concurrently serves as a staff representative Supervisor and the general manager of the board secretariat of the Company. Ms. Zeng has been serving as the general manager of the board secretariat of the Company since September 2018, and 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, and she served as a deputy general manager, acting general manager and general manager of BNBM PNG LIMITED from September 2009 to March 2013. From May 2005 to July 2009, she worked in the administration and human resources department of the Company. Ms. Zeng received her bachelor's degree in business English from the University of Hunan* (湖南大學) in June 2004, and she received her master's degree in management and administration of enterprises from the Université Paris 1 Panthéon-Sorbonne in February 2021. She was awarded the First Prize for Outstanding Achievements in the Reform and Development of Chinese Enterprises* (中國企業改革發展優秀成果) as a participant in 2018.

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

SUPERVISORS *(CONTINUED)*

Ms. Yu Yuehua, born in February 1972, concurrently serves as a staff representative Supervisor and the general manager of the audit department of the Company. Ms. Yu has extensive experience in project management, finance and audit. Ms. Yu has been serving as a staff representative Supervisor of the Company since July 2020, a supervisor of Gansu Qilianshan Cement Group Co., Ltd* (甘肅祁連山水泥集團股份有限公司) since August 2020, a supervisor and the chairman of the supervisor committee of China United Cement Corporation* (中國聯合水泥集團有限公司) since July 2020, and the general manager of the audit department of the Company since September 2018. She served as a deputy general manager (in charge) of the audit department of the Company from July 2018 to September 2018, a deputy general manager (in charge) of the audit supervision department of the Company from May 2017 to July 2018, and a 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 team of the supervisory board of the key large-scale state-owned enterprises* (國有重點大型企業監事會專業檢查組) 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 LLP* (北京中瑞誠會計師事務所). From September 1998 to March 2004, she 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)). 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. Ms. Yu was awarded as an Advanced Worker of Internal Audit Nationwide* (全國內部審計先進工作者) from 2017 to 2019, and awarded Excellent Achievements in Internal Audit Research Projects of National Audit Office of the People's Republic of China* (國家審計署內部審計研究課題優秀成果) in 2020 and the first prize for outstanding achievements in China's enterprise reform and development in 2021.

Ms. Du Guangyuan, born in September 1978, concurrently serves as a staff representative Supervisor and the general manager of the legal affairs department of the Company. Ms. Du has extensive experience in legal management. Ms. Du has been serving as a supervisor of Sinoma International and a director of Sinoma Advanced since February 2022, a staff representative Supervisor of the Company since November 2021, the general manager of the legal affairs department of the Company since February 2021, and a director of China Composites Group Corporation Ltd.* (中國複合材料集團有限公司) since June 2017. She served as a deputy general manager of the legal affairs department of the Company from February 2016 to January 2021. She worked in the legal affairs department of the Company from June 2005 to February 2016, responsible for various works of the department. Ms. Du received her master's degree in law from Peking University in June 2004. Ms. Du was awarded the First Prize for Outstanding Achievements in the Reform and Development of Chinese Enterprises* (中國企業改革發展優秀成果) as a participant, the Advanced Worker in Legal Affairs of Central Enterprises* (中央企業法律事務先進工作者) by the State-owned Assets Supervision and Administration Commission of the State Council, and the Advanced Individual in Legal Publicity and Education of Central Enterprises* (中央企業法制宣傳教育先進個人) from 2011 to 2015.

SENIOR MANAGEMENT

Mr. Chang Zhangli is the president and an executive Director of the Company. Please refer to Mr Chang's biography in the "Executive Directors" section.

Mr. Chen Xue'an, born in April 1964, is a vice president and the chief financial officer of the Company. Mr. Chen has extensive experience in financial management. Mr. Chen has been the chairman of the supervisory committee of New Tianshan Cement since December 2021, the chairman of the board of directors of CBM Holdings since March 2019, the chairman of the supervisory committee of South Cement since June 2016, a director of Jushi Group since May 2006, the chairman of the supervisory committee of Southwest Cement since April 2016, the chairman of the supervisory committee of China Jushi since October 2014, a director of BNBM since September 2012, a vice president of the Company since November 2011, 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 and the chairman of the supervisory committee of North Cement. From April 1995 to March 2005, Mr. Chen served successively as a deputy head of the finance department of the office of the State-owned Assets Supervision and Administration of China* (國家國資局辦公室財務處), a deputy head of the 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* (財政部國有資產統計評價司清產核資處副處長、監測處處長、中央處處長). Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics* (上海財經大學) in July 1986 and a master's degree in management from Beijing Institute of Technology* (北京理工大學) in November 1999. He is a researcher, and also enjoys a special government allowance approved by the State Council. Mr. Chen was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

Mr. Wang Bing is a vice president and an executive Director of the Company. Please refer to Mr Wang's biography in the "Executive Directors" section.

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 New Tianshan Cement since September 2020, a director of CBM Holdings since May 2017, and was the chairman of the supervisory committee of China United Cement from July 2015 to June 2017, the chairman of the board of CNBM Investment since August 2014, a director of North Cement from April 2016 to March 2022, the chairman of the board 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 successively as a director, a vice general manager, and a supervisor of China Jushi. He served as the president of CNBM Investment from May 2004 to August 2014 and has been a director of CNBM Investment since March 2003. From December 2000 to May 2004, he served as a vice president of CNBM Investment. Mr. Cai is an accountant who received a bachelor's degree in economics (professional teachers major)* (會計師範專業經濟學學士學位) from Shanghai University of Finance and Economics* (上海財經大學) in July 1990 and an EMBA degree from Tsinghua University* (清華大學) in January 2012. He was awarded 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 a vice president of the Company. Mr. Yu accumulated extensive operating and management experience in the non-metal materials industry. Mr. Yu has been a vice president of the Company since May 2018, a director of Bengbu Institute since November 2021, a director of Sinoma Science & Technology since June 2021, a director of Ningxia Building Materials since May 2021, a director of Sinoma Advanced since July 2020, a director of Sinoma International since April 2020, a director of BNBM from April 2019 to July 2021 and a director of China Triumph from June 2019 to November 2021. He was a vice president of Sinoma from July 2007 to May 2018, a deputy general manager of China National Non-Metallic Materials Corporation*(中國非金屬材料總公司) from October 2004 to July 2007, the chairman of the board of Sinoma Advanced from April 2007 to December 2009, the chairman of the board of Sinoma Advanced Materials Co., Ltd* (中材先進材料股份有限公司) from October 2004 to April 2007, the chairman of the board of Shandong Zoomber Advanced Materials Co., Ltd. (山東中博先進材料股份有限公司) from February 2004 to October 2004, the dean of the Research Institute of Synthetic Crystals* (中非人工晶體研究院) from April 2001 to November 2005, the president of Shandong Industrial Ceramics Research & Design Institute from February 1998 to April 2001, the vice president of Shandong Industrial Ceramics Research & Design Institute from February 1996 to February 1998, and successive the assistant to the president, director of the design institute, general manager and office director of Shandong Industrial Ceramics Research & Design Institute from July 1989 to February 1996, and an assistant engineer of Wuhan Building Material Industry Design & Research Institute from July 1988 to July 1989. Mr. Yu received a bachelor's degree in engineering from Wuhan Institute of Building Material Industry* (武漢建築材料工業學院) in July 1985, a master's degree in engineering from Wuhan Industrial University* (武漢工業大學) in July 1988, and a doctor's degree in engineering from Wuhan Industrial University in January 2003. He is qualified as a professor-level senior engineer and enjoys a special government allowance approved by the State Council and is a young and middle-aged expert with important contribution to the nation's building materials 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* (第三屆中國優秀青年創業獎), 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* (中國建材行業改革開放四十年風雲人物) and so forth.

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Zhang Jindong, born in January 1964, is a vice president of the Company. Mr. Zhang has extensive operating and management experience in the construction materials industry. Mr. Zhang has been a director of Bengbu Institute since November 2021, a director of Southwest Cement and China Composites since June 2017, a director of South Cement since June 2016, a director of China Triumph since April 2016, a director of North Cement from June 2017 to March 2022, the chairman of Sinoma Mining from May 2020 to November 2021, the general manager of the technology department of the Company from November 2015 to July 2018, a 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, a deputy general manager of China United Cement from May 2002 to August 2004, an executive deputy general manager and the general manager of Shandong Lunan Cement Co., Ltd* (山東魯南水泥有限公司) from February 1998 to May 2002 and a director and a deputy chief engineer of Lunan Cement Factory* (魯南水泥廠) from July 1985 to February 1998. Mr. Zhang obtained the Bachelor's degree in Automotives from Shandong Institute of Building Materials* (山東建材學院) in June 1985 and a Master's degree in Business Administration from Xiamen University* (廈門大學) in June 2005. He is a senior engineer.

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 New Tianshan Cement since December 2021, 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 China Jushi since April 2011, the general manager of the finance department of the Company since July 2005, a certified public accountant of the Company since June 2005, a supervisor of North Cement from March 2016 to March 2022, a director of BNBM from November 2014 to January 2022, 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. Xue Zhongmin, born in January 1966, is a vice president of the Company. Mr. Xue has accumulated extensive experience in corporate management. Mr. Xue has been a 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, a vice president of the Company since May 2018, the chairman of the board of Sinoma Science & Technology since May 2013. He served as the chairman of Hunan Chinaly New Material Co., Ltd.* (湖南中鋰新材料有限公司) from August 2019 to June 2020, the acting chief financial officer of Sinoma Science & Technology from August 2018 to June 2020, a vice president of Sinoma from July 2016 to May 2018, a director of Sinoma Lithium Membrane Co., Ltd.* (中材鋰膜有限公司) from February 2016 to February 2021. He served as the chairman of the board of directors of Sinoma Wind Power Blade Co., Ltd.* (中材科技風電葉片股份有限公司) from May 2007 to July 2011, a vice president and vice chairman of the board of Sinoma Science & Technology from December 2004 to May 2013, 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 the associate dean, dean 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 materials from the materials science and applied chemistry department of the National University of Defense Technology* (國防科學技術大學) in July 1988 and a master degree in composite materials from Beijing University of Aeronautics & Astronautics* (北京航空航天大學) in March 1995, and a doctor degree in materials processing engineering from Beijing University of Aeronautics & Astronautics in March 2006. Mr. Xue is a professor-level senior engineer and enjoys a special government allowance approved by the State Council and is national-level candidate for the New Century Hundreds of Thousands of Talents Project* (新世紀百千萬人才工程國家級人選). Mr. Xue concurrently serves as a vice chairman of China Building Materials Federation* (中國建築材料聯合會), vice chairman of Chinese Society for Composite Materials, and vice chairman of China Composites Industry Association. He was awarded a National Outstanding Scientific Worker* (全國優秀科技工作者) and a Science and Technology Innovation Leader of National Building Material Industry*(全國建材行業科技創新領軍者).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Liu Yan, born in November 1965, is a vice president of the Company. Mr. Liu possesses extensive experience in corporate management. Mr. Liu has been the chairman of the board of Sinoma International since August 2020, the chairman of the supervisory committee of Sinoma Science & Technology from June 2020 to September 2020 and a vice president of the Company since May 2018. Mr. Liu was the vice president of Sinoma from March 2010 to May 2018 and the chairman of the board of Sinoma Advanced from January 2010 to December 2020. He was the president of Sinoma Science & Technology from May 2003 to October 2009, a vice president of Sinoma Science & Technology from December 2001 to May 2003, an associate dean of Nanjing Fiberglass R&D Institute Co., Ltd* (南京玻璃纖維研究設計院) from November 1999 to December 2001, and successively held positions of 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* (南京玻璃纖維研究設計院第二研究設計所) 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 is a senior engineer and enjoys a special government allowance approved by the State Council. Mr. Liu was awarded the Outstanding Entrepreneur of the Building National Materials Industry* (全國建材行業優秀企業家).

Mr. Liu Biao, born in April 1966, is a vice president of the Company. Mr. Liu has extensive experience in finance management and corporate management. Mr. Liu has been a 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, a vice chairman of Zhongfu Shenying Carbon Fiber Co., Ltd.* (中復神鷹碳纖維有限責任公司) since September 2020, the chairman of the board and general manager of China Composites since June 2018 and a deputy general manager of the Company since May 2018. He served as a deputy general manager of Sinoma from July 2016 to May 2018, a member of the standing committee of municipal party committee and a vice mayor of Xuancheng of Anhui Province from December 2013 to May 2016, the chief economist of Sinoma Parent and a deputy general manager of China National Materials Group Corporation Ltd. (中材集團有限公司) from July 2010 to July 2016, and the chief financial officer of Sinoma from July 2007 to July 2010. He served as the department head of the audit department and a 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 a 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, a deputy head and the head of the operation appraisal office and a deputy general manager of the finance 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 obtained a master's degree in business administration from Wuhan University* (武漢大學) in June 2007. Mr. Liu is a senior economist and an accountant with the qualification of the Chinese Institute of Certified Public Accountants* (中國註冊會計師), and he is also a non-practising member of the Chinese Institute of Certified Public Accountants* (中國註冊會計師協會). Mr. Liu was awarded the ninth National Secondary Enterprises Management Modernization Innovation Achievement* (第九屆國家級二等企業管理現代化創新成果).

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天職國際

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

OPINION

We have audited the consolidated financial statements of China National Building Material Company Limited and its subsidiaries (together the "Group") set out on pages 148 to 350, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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 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 2021, the Group has goodwill of RMB32,323.23 million, accounting for approximately 6.99% 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 RMB1,879.96 million, RMB934.30 million and RMB49.57 million have been recorded in respect of the goodwill allocated to the cement segment, concrete 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 objectivity 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, 25 March 2022

Lo Wing See
Practising certificate number P04607

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	**2021** ***RMB'000***	2020 *RMB'000* (restated)
Revenue	6	**273,683,403**	254,842,661
Cost of sales		**(208,315,090)**	(187,995,450)
Gross profit		**65,368,313**	66,847,211
Investment and other income, net	8	**6,525,408**	5,335,945
Selling and distribution costs		**(4,836,207)**	(4,857,728)
Administrative expenses		**(28,605,502)**	(30,442,261)
Finance costs, net	9	**(7,236,048)**	(7,079,112)
Share of results of associates	21	**4,023,181**	3,272,981
Share of results of joint ventures	22	**(4,320)**	1,354
Impairment loss under expected credit loss model, net of reversal		**(1,647,168)**	(3,017,999)
Profit before income tax	11	**33,587,657**	30,060,391
Income tax expense	12	**(7,968,613)**	(8,395,946)
Profit for the year		**25,619,044**	21,664,445
Profit for the year attributable to:			
Owners of the Company		**16,218,359**	12,562,708
Holders of perpetual capital instruments		**794,707**	991,808
Non-controlling interests		**8,605,978**	8,109,929
		25,619,044	21,664,445
		RMB	*RMB* (restated)
Earnings per share – basic and diluted	14	**1.923**	1.489

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000 (restated)
Profit for the year		**25,619,044**	21,664,445
Other comprehensive income/(expense), net of tax:	12(b)		
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit obligations		**(2,910)**	754
Change in the fair value of equity instruments at fair value through other comprehensive income, net		**1,186**	2,038
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**6,803**	7,831
Shares of associates' other comprehensive income/(expense)		**46,485**	(49,883)
Shares of joint ventures' other comprehensive expense		**(1,050)**	(487)
Change in the fair value on hedging instruments designated as cash flow hedges		**10,312**	(1,936)
Other comprehensive income/(expense) for the year, net of tax		**60,826**	(41,683)
Total comprehensive income for the year		**25,679,870**	21,622,762
Total comprehensive income attributable to:			
Owners of the Company		**16,342,685**	12,538,021
Holders of perpetual capital instruments		**794,707**	991,808
Non-controlling interests		**8,542,478**	8,092,933
Total comprehensive income for the year		**25,679,870**	21,622,762

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000 (restated)	2019 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	15	**181,240,991**	172,456,861	173,165,814
Right-of-use assets	16	**29,277,058**	29,979,586	31,583,266
Investment properties	17	**965,215**	857,163	979,850
Goodwill	18	**32,323,232**	33,290,321	37,886,421
Intangible assets	19	**25,602,025**	19,074,130	12,182,414
Interests in associates	21	**26,870,710**	19,313,566	15,875,435
Interests in joint ventures	22	**131,348**	98,018	98,866
Financial assets at fair value through profit or loss	23	**2,524,452**	2,529,357	2,581,405
Financial assets at fair value through other comprehensive income	24	**–**	7,526	8,664
Deposits	25	**3,990,272**	4,075,507	2,931,857
Trade and other receivables	27	**3,604,945**	11,930,475	6,323,458
Deferred income tax assets	34	**6,294,168**	6,565,399	5,851,443
		312,824,416	300,177,909	289,468,893
Current assets				
Inventories	26	**21,199,061**	20,308,739	20,032,394
Trade and other receivables	27	**87,002,546**	93,112,674	98,079,827
Financial assets at fair value through profit or loss	23	**8,259,699**	6,166,752	6,523,573
Derivative financial instruments	38	**16,578**	16,148	5,254
Amounts due from related parties	28	**2,198,675**	1,844,800	3,076,763
Pledged bank deposits	30	**3,780,941**	4,995,816	5,127,107
Cash and cash equivalents	30	**27,260,215**	29,823,909	24,193,928
		149,717,715	156,268,838	157,038,846
Assets classified as held-for-sale	31	**–**	195,843	90,159
		149,717,715	156,464,681	157,129,005

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000 (restated)	2019 RMB'000 (restated)
Current liabilities				
Trade and other payables	32	**98,539,961**	98,213,176	89,461,477
Amounts due to related parties	28	**4,834,060**	4,748,403	5,194,150
Borrowings – amount due within one year	33	**73,750,558**	89,440,797	97,737,246
Lease liabilities	35	**432,754**	633,246	1,514,279
Derivative financial instruments	38	**7,434**	19,338	17,729
Employee benefits payable	37	**33,397**	1,564	3,861
Current income tax liabilities		**3,976,820**	4,776,948	4,311,023
Financial guarantee contracts	36	**–**	64,000	64,000
Dividend payable to non-controlling interests		**1,301,091**	313,879	237,087
		182,876,075	198,211,351	198,540,852
Net current liabilities		**(33,158,360)**	(41,746,670)	(41,411,847)
Total assets less current liabilities		**279,666,056**	258,431,239	248,057,046
Non-current liabilities				
Borrowings – amount due after one year	33	**93,092,947**	85,629,115	88,495,563
Deferred income		**2,242,652**	2,234,392	3,216,552
Lease liabilities	35	**2,534,627**	2,697,414	2,708,106
Employee benefits payable	37	**217,027**	240,878	251,392
Deferred income tax liabilities	34	**2,954,380**	2,333,848	2,268,419
		101,041,633	93,135,647	96,940,032
Net assets		**178,624,423**	165,295,592	151,117,014

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2021

	Note	**2021**	2020	2019
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	(restated)
Capital and reserves				
Share capital	40	**8,434,771**	8,434,771	8,434,771
Reserves		**93,438,631**	81,889,030	72,090,148
Equity attributable to:				
Owners of the Company		**101,873,402**	90,323,801	80,524,919
Holders of perpetual capital instruments	42	**16,809,142**	18,637,177	20,785,279
Non-controlling interests		**59,941,879**	56,334,614	49,806,816
Total equity		**178,624,423**	165,295,592	151,117,014

The consolidated financial statements on pages 148 to 350 were approved and authorised for issue by the Board of Directors on 25 March 2022 and were signed on its behalf by:

Chang Zhangli
Director

Fu Jinguang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve (Note 41(a)) RMB'000	Statutory surplus reserve fund (Note 41(b)) RMB'000	Fair value reserve (Note 41(c)) RMB'000	Share option reserve (Note 41(d)) RMB'000	Hedging reserve (Note 41(e)) RMB'000	Exchange reserve (Note 41(f)) RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital instruments (Note 42) RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2019													
As previous reported	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
– Adjustment for business combination under common control (Note 45)	–	–	45,366	609	–	–	–	53	28,158	74,186	–	29,535	103,721
Balance at 1 January 2020, as restated	8,434,771	1,788,736	12,116,813	7,185,859	(3,041)	9,722	(8,860)	(344,051)	51,344,970	80,524,919	20,785,279	49,806,816	151,117,014
Profit for the year, as restated	–	–	–	–	–	–	–	–	12,562,708	12,562,708	991,808	8,109,929	21,664,445
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, as restated	–	–	–	–	–	–	–	25,315	–	25,315	–	(17,484)	7,831
Share of associates' other comprehensive (expenses)/income	–	–	(71,974)	–	–	–	–	22,091	–	(49,883)	–	–	(49,883)
Share of joint ventures' other comprehensive expenses	–	–	(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, as restated	–	–	(73,173)	–	1,855	–	(775)	47,406	12,562,708	12,538,021	991,808	8,092,933	21,622,762
Dividends paid (Note 13)	–	–	–	–	–	–	–	–	(2,952,170)	(2,952,170)	–	–	(2,952,170)
Dividends declared to the non-controlling interests of subsidiaries, as restated	–	–	–	–	–	–	–	–	–	–	–	(3,526,651)	(3,526,651)
Dividends paid to former shareholders of a subsidiary related to business under common control, as restated	–	–	–	–	–	–	–	–	(378)	(378)	–	(622)	(1,000)
Disposal of subsidiaries, as restated (Note 43(b))	–	–	–	–	–	–	–	–	–	–	–	(542)	(542)
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, as restated	–	–	–	2,274,485	–	–	–	–	(2,274,485)	–	–	–	–
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 interest 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 interest 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, as restated	–	–	318,699	–	–	–	–	–	(21,832)	296,867	–	(337,398)	(40,531)
Balance at 31 December 2020, as restated	8,434,771	1,788,736	12,276,674	9,460,344	(1,186)	11,929	(9,635)	(296,645)	58,658,813	90,323,801	18,637,177	56,334,614	165,295,592

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2021

	Attributable to owners of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve (Note 41(a)) *RMB'000*	Statutory surplus reserve fund (Note 41(b)) *RMB'000*	Fair value reserve (Note 41(c)) *RMB'000*	Share option reserve (Note 41(d)) *RMB'000*	Hedging reserve (Note 41(e)) *RMB'000*	Exchange reserve (Note 41(f)) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual capital instruments (Note 42) *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 31 December 2020													
As previous reported	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
– Adjustment for business combination under common control (Note 45)	–	–	51,482	240	–	–	–	69	31,909	83,700	–	31,082	114,782
Balance at 1 January 2021, as restated	8,434,771	1,788,736	12,276,674	9,460,344	(1,186)	11,929	(9,635)	(296,645)	58,658,813	90,323,801	18,637,177	56,334,614	165,295,592
Profit for the year	–	–	–	–	–	–	–	–	16,218,359	16,218,359	794,707	8,605,978	25,619,044
Other comprehensive (expense)/income, net of tax (Note 12(b))													
– Actuarial loss on defined benefit obligations	–	–	(2,872)	–	–	–	–	–	–	(2,872)	–	(38)	(2,910)
– Change in fair value of equity instruments at fair value through other comprehensive income	–	–	–	–	1,186	–	–	–	–	1,186	–	–	1,186
– Currency translation differences	–	–	–	–	–	–	–	75,133	–	75,133	–	(68,330)	6,803
– Share of associates' other comprehensive income/(expense)	–	–	(17,314)	–	–	–	–	63,796	–	46,482	–	3	46,485
– Share of joint ventures' other comprehensive expenses	–	–	–	–	–	–	–	(633)	–	(633)	–	(417)	(1,050)
– Change in the fair value on hedging instruments designated as cash flow hedges	–	–	–	–	–	–	5,030	–	–	5,030	–	5,282	10,312
Total comprehensive income/(expense)for the year	–	–	(20,186)	–	1,186	–	5,030	138,296	16,218,359	16,342,685	794,707	8,542,478	25,679,870
Dividends paid (Note 13)	–	–	–	–	–	–	–	–	(3,964,342)	(3,964,342)	–	–	(3,964,342)
Dividends declared to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(5,616,996)	(5,616,996)
Exercise of share options of a subsidiary	–	–	24,075	–	–	(4,014)	–	–	–	20,061	–	21,065	41,126
Cancellation of share options of a subsidiary	–	–	–	–	–	(7,915)	–	–	7,915	–	–	–	–
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 43(a))	–	–	–	–	–	–	–	–	–	–	–	3,676,029	3,676,029
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	80,386	80,386
Appropriation to statutory reserve	–	–	–	3,174,186	–	–	–	–	(3,174,186)	–	–	–	–
Issue of perpetual capital instruments, net of issuance cost (Note 42)	–	–	–	–	–	–	–	–	–	–	4,000,000	–	4,000,000
Redemption of perpetual capital instruments (Note 42)	–	–	(22,118)	–	–	–	–	–	–	(22,118)	(5,788,121)	–	(5,810,239)
Share of reserve in associates	–	–	69,562	–	–	–	–	–	–	69,562	–	539	70,101
Interest paid on perpetual capital instruments (Note 42)	–	–	–	–	–	–	–	–	–	–	(834,621)	–	(834,621)
Business combination under common control	–	–	(142,717)	–	–	–	–	–	–	(142,717)	–	–	(142,717)
Deemed partial disposal of interest in subsidiaries without losing control (Note 44(b))	–	–	469,033	–	–	–	–	–	–	469,033	–	2,594,774	3,063,807
Decrease in non-controlling interests as result of acquisition of additional interest in subsidiaries without change in control (Note 44(a))	–	–	(289,996)	–	–	–	–	–	–	(289,996)	–	(4,649,943)	(4,939,939)
Disposal of subsidiaries (Note 43(b))	–	–	895	–	–	–	–	–	–	895	–	(1,281,171)	(1,280,276)
Government subsidy (Note)	–	–	(2,276,303)	–	–	–	–	–	–	(2,276,303)	–	–	(2,276,303)
Others	–	–	1,024,965	–	–	–	–	–	317,876	1,342,841	–	240,104	1,582,945
Balance at 31 December 2021	8,434,771	1,788,736	11,113,884	12,634,530	–	–	(4,605)	(158,349)	68,064,435	101,873,402	16,809,142	59,941,879	178,624,423

Note:

During the years ended 31 December 2010 to 2015, certain national funds were contributed by the PRC Government to the Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects. Pursuant to the requirements of the relevant notice, those national funds were designated as capital contribution and vested solely with the PRC Government due to non-repayable feature and can be converted into share capital.

During the year ended 31 December 2021, the national funds was classified as liability due to change in repayment term through renegotiation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000 (restated)
Operating activities		
Profit before income tax	**33,587,657**	30,060,391
Adjustments for:		
Dividends from equity instruments	**(111,919)**	(167,178)
Discount on acquisition of interests in subsidiaries	**(17,709)**	(5,529)
Gain on disposal of subsidiaries, net	**(626,319)**	(150,819)
Gain on disposal of associates, net	**(96,181)**	(1,337)
Decrease in fair value of financial assets at fair value through profit or loss, net	**132,122**	212,692
Gain on disposal of other investments	**(49,485)**	(65,378)
Waiver of payables	**(165,994)**	(192,228)
Finance costs	**8,120,782**	7,998,630
Interest income	**(884,734)**	(919,518)
Depreciation of property, plant and equipment and investment properties	**10,412,332**	10,342,058
Depreciation of right-of-use assets	**2,394,052**	2,474,730
Amortisation of intangible assets	**2,007,892**	1,681,841
Impairment loss on goodwill	**2,863,830**	4,211,401
Impairment loss on property, plant and equipment	**2,191,358**	4,857,114
Impairment loss on right-of-use assets	**–**	10,559
Impairment loss on intangible assets	**149,772**	105,591
Impairment loss on interests in associates	**–**	15
Gain on disposal of property, plant and equipment and intangible assets, net	**(1,107,496)**	(1,063,563)
Impairment loss under expected credit loss model, net of reversal	**1,647,168**	3,017,999
Write down of inventories	**181,856**	366,972
Net foreign exchange loss	**671,260**	657,387
Share of results of associates	**(4,023,181)**	(3,272,981)
Share of results of joint ventures	**4,320**	(1,354)
Deferred income released to the consolidated statement of profit or loss	**(390,134)**	(1,672,199)
Fair value change of derivative financial instruments	**(14,661)**	(11,563)
Defined benefit cost included in current profit and loss	**31,968**	14,491
Share-based payment expense	**–**	5,515

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2021

	2021 ***RMB'000***	2020 *RMB'000* (restated)
Operating cash flows before working capital changes	**56,908,556**	58,493,739
Increase in inventories	**(2,041,004)**	(640,100)
(Increase)/decrease in trade and other receivables	**(8,906,744)**	5,227,796
(Increase)/decrease in amounts due from related parties	**(467,986)**	610,206
Increase in trade and other payables	**12,960,592**	7,716,085
Decrease in amounts due to related parties	**(781,177)**	(220,006)
Increase in deferred income	**387,274**	669,571
Cash generated from operations	**58,059,511**	71,857,291
Income tax paid	**(8,854,747)**	(8,528,133)
Interest received	**884,734**	919,518
Net cash generated from operating activities	**50,089,498**	64,248,676
Investing activities		
Purchase of financial assets at fair value through profit or loss	**(12,501,865)**	(16,394,177)
Purchase of property, plant and equipment	**(27,624,741)**	(19,350,398)
Payments for right-of-use assets	**(1,342,921)**	(547,636)
Purchase of intangible assets	**(7,965,583)**	(8,011,554)
Purchase of investment properties	**(22,773)**	(30,513)
Proceeds on disposal of property, plant and equipment and investment properties	**8,092,391**	6,861,629
Acquisition of interests in associates	**(1,147,972)**	(1,087,723)
Acquisition of interests in joint ventures	**(38,699)**	–
Dividends received from associates	**700,554**	951,586
Proceeds from disposal of associates	**199,583**	186,875
Proceeds from disposal of subsidiaries	**1,344,084**	623,281
Proceeds on disposal of financial assets at fair value through profit or loss	**10,165,765**	16,590,354
Proceeds on disposal of financial assets at fair value through other comprehensive income	**–**	3,536
Proceeds from disposal of assets held-for-sale	**195,843**	90,159
Proceeds from disposal of right-of-use assets	**681,714**	527,567
Proceeds from disposal of intangible assets	**336,544**	131,351
Dividends received from equity investments	**111,919**	167,178
Payments for rental deposits	**(381,740)**	(177,969)
Deposits paid	**(3,608,532)**	(3,897,538)
Deposits refunded	**3,879,056**	2,931,857

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000* (restated)
Investing activities (continued)		
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(959,160)**	(1,332,903)
Business combination under common control	**(142,717)**	–
(Advance to)/ repayments from related parties	**(333,160)**	409,415
Other payments for investing activities	**(5,022,999)**	(8,078,157)
(Increase)/decrease in pledged bank deposits	**(225,871)**	131,291
Net cash used in investing activities	**(35,611,280)**	(29,302,489)
Financing activities		
Proceeds from issue of perpetual capital instruments, net of issuance cost	**4,000,000**	6,000,000
Redemption of perpetual capital instruments	**(5,810,239)**	(8,196,361)
Interest paid	**(7,643,693)**	(7,477,644)
Interest paid on perpetual capital instruments	**(834,621)**	(998,463)
Dividends paid to shareholders	**(3,964,342)**	(2,952,170)
Dividends paid to non-controlling interests of subsidiaries	**(4,437,741)**	(3,452,118)
Dividends paid to former shareholders of a subsidiary related to business combination under common control	**–**	(1,000)
Payment for acquisition of additional interests in subsidiaries	**(4,939,939)**	(34,928)
Contributions from non-controlling interests	**80,386**	402,760
Proceeds from issue of ordinary shares of a subsidiary upon exercise of share options	**41,126**	–
Net borrowings raised	**141,789,233**	170,807,405
Repayment of borrowings	**(136,300,031)**	(182,041,479)
Repayment of lease liabilities	**(812,870)**	(1,973,762)
Repayments from/(advance to) related parties	**1,838,666**	(170,882)
Deemed partial disposal of interest in subsidiaries without losing control	**273,323**	1,147,581
Net cash used in financing activities	**(16,720,742)**	(28,941,061)
Net (decrease)/increase in cash and cash equivalents	**(2,242,524)**	6,005,126
Exchange losses on cash and cash equivalents	**(321,170)**	(375,145)
Cash and cash equivalents at beginning of the year	**29,823,909**	24,193,928
Cash and cash equivalents at end of the year	**27,260,215**	29,823,909

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 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 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the 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)*

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures ("IFRS 7").

As at 1 January 2021, the Group had several borrowings, the interest of which are indexed to benchmark rates that are subjected to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortised cost. Additional disclosures as required by IFRS 7 are set out in note 5.

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

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

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non–current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract[2]
Amendments to IFRS standards	Annual Improvements to IFRS Standards 2018–2020[2]

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

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 of the consolidated financial statements

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.

As at December 31, 2021, the Group's current liabilities exceeded its current assets by RMB33,158.36 million. Taking into account the banking facilities available to the Group, the directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to meet its liabilities as and when they fall due and to continue in operational existence for the foreseeable future. Thus the Group continue to adopt the going concern basis of accounting in preparing its consolidated financial statements.

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").

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

3.1 Basis of preparation of the consolidated financial statements *(Continued)*

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.

Business combination under common control

On 30 December 2020, Beijing New Building Material Public Limited Company (a subsidiary of the Company) entered into an equity transfer agreement to acquire 100% equity interests of CNBM Suzhou Waterproof Institute Company Limited ("Suzhou Institute") from China National Building Material Asset Management Company Limited (a 100% indirect subsidiary of the Parent) ("CNBM Asset Management") at cash consideration of approximately RMB69,213,200 (the "Suzhou Institute Acquisition"). The Suzhou Institute Acquisition was completed in January 2021 and since then Suzhou Institute has become a subsidiary of the Group.

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

On 15 March 2021, Sinoma Cement Company Limited ("Sinoma Cement") (a subsidiary of the Company) and Sinoma International Engineering Company Limited ("Sinoma International") (a subsidiary of the Company) entered into an shares transfer and subscription agreement to acquire 40% and 30% equity interests of CNBM Mining Investment Nig. Limited ("CNBM Mining") from CNBM Mining Investment (Jiangsu) Company Limited (an indirect subsidiary of the Parent) ("CNBM Mining Jiangsu") at cash consideration of approximately RMB10,484,400 and RMB7,862,400, respectively. In addition, Sinoma Cement, Sinoma International and CNBM Mining Jiangsu will further subscribe certain new shares to be issued by CNBM Mining for cash consideration of approximately RMB8,253,100, RMB6,189,900 and RMB946,700, respectively (the "CNBM Mining Acquisition"). The CNBM Mining Acquisition was completed in December 2021 and since then CNBM Mining has become a subsidiary of the Group.

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

3.1 Basis of preparation of the consolidated financial statements *(Continued)*

Business combination under common control *(Continued)*

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

On 18 September 2021, China Composites Group Corporation Limited (a subsidiary of the Company) entered into an equity transfer agreement to acquire 100% equity interests of Beijing Zhongbei Kiln & Furnace Technical Company ("Beijing Zhongbei") from CNBM Asset Management at cash consideration of approximately RMB96,844,100 (the "Beijing Zhongbei Acquisition"). The Beijing Zhongbei Acquisition was completed in December 2021 and since then Beijing Zhongbei has become a subsidiary of the Group.

As Beijing Zhongbei and the Company are controlled by the Parent, the Beijing Zhongbei 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 2020 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2020. The details of the restated balances have been disclosed in Note 45 to the consolidated financial statements.

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

3.2 Basis of consolidation

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

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

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

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.

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

3.2 Basis of consolidation *(Continued)*

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

3.3 Business combinations or asset acquisitions

3.3.1 Optional concentration test

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.

3.3.2 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

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.

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

3.3 Business combinations or asset acquisitions *(Continued)*

3.3.3 Business combination *(Continued)*

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 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

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

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.

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

3.3 Business combinations or asset acquisitions *(Continued)*

3.3.3 Business combination *(Continued)*

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.

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

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

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

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.

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

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

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.3.3 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 group of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.5 Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.6 Non-current assets held for sale

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.7 Segment reporting

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

3.8 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers *(Continued)*

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, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Revenue from contracts with customers *(Continued)*

Principal versus agent

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

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

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Further details of the Group's revenue recognition policies are disclosed in Note 6.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

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
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessee *(continued)*

Right-of-use assets (continued)

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessee *(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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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.

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

Lease modifications

Except for Covid-19-related rent concession in which the Group applied the practical expedient, 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessee *(Continued)*

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(iii) there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

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

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 Contacts 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 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.10 Foreign currencies *(Continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences 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 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.

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).

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.14 Share-based 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 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

Current and deferred tax, are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.16 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than property, plant and equipment 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.16 Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

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 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.18 Intangible assets

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).

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). 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.

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 individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash generated units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or group of cash-generating units. 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 determined on a weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.22 Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3.23 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income 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 ("IFRS 3") applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 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 other comprehensive income 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 subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bills receivable, 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial assets *(Continued)*

Important of financial assets subject to impairment assessment under IFRS 9 (Continued)

The Group always recognises lifetime ECL for trade receivables and contract assets.

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;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (continued)

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower 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.

(iv) Write-off policy

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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 and contract assets are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

On derecognition of an investment in 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 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 Company 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments (Continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL (Continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derivative financial instruments

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

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

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness (Continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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.

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 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.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

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 hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions are ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.24 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.

3.25 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;

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.25 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply: (Continued)

(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.

3.26 Comparatives

Certain comparative figures for 2020 and 2019 have been restated to reflect the effect of business combination under common control as detailed in Note 45.

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, the directors of the Company are 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 underlying 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 on-going 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 directors of the Company have 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% (2020: 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.

Sinoma International Engineering Company Limited ("Sinoma International")

Sinoma International is a subsidiary of the Group although the Group has only 48.78% (2020: 40.03%) equity interests and voting rights in Sinoma International. Sinoma International is listed on the stock exchange of Shanghai, PRC. The remaining 51.22% (2020: 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% (2020: 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.

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")

Qilianshan Cement is a subsidiary of the Group although the Group has only 25.04% (2020: 25.04%) voting rights in Qilianshan Cement through the directly-hold shareholding of the Company and the indirectly-hold shareholding of a subsidiary of the Company. Qilianshan Cement is listed on the stock exchange of Shanghai, PRC. The remaining 74.96% voting rights are owned by thousands of shareholders that are unrelated to the Group. Details of Qilianshan Cement are set out in Note 20.

The management assessed whether or not the Group has control over BNBM, Sinoma International, Ningxia Building Materials and Qilianshan Cement (collectively, the "Principal Subsidiaries") based on whether the Group has the practical ability to direct the relevant activities of the Principal Subsidiaries unilaterally. In making the judgement, the management considered the Group's absolute size of holding in the Principal Subsidiaries and the relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities the Principal Subsidiaries and therefore the Group has control over the Principal Subsidiaries.

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

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

Significant influence over associates

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

Note 21 describes that Shanghai Yaohua is an associate of the Group although the Group only owns 12.74% (2020: 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 4 directors to the board of directors of that company.

Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司) ("Gansu Shangfeng")

Note 21 describes that Gansu Shangfeng is an associate of the Group although the Group only owns 14.40% (2020: 14.40%) equity interests in Gansu Shangfeng. The Group has significant influence over Gansu Shangfeng by virtue of the contractual right to appoint 1 out of the 5 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 that Shanshui Cement is an associate of the Group although the Group only owns 12.94% (2020: 12.94%) equity interests in Shanshui Cement. The Group has significant influence over Shanshui Cement by virtue of the contractual right to appoint 1 out of the 5 directors to the board of directors of that company.

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

4.2 Key sources of estimation uncertainty

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

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

Property, plant and equipment, right-of-use assets and intangible assets 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 2021, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets were RMB181,240.99 million, RMB29,277.06 million and RMB25,602.03 million (2020 (restated): RMB172,456.86 million, RMB29,979.59 million and RMB19,074.13 million) respectively, after taking into account the impairment losses. Details of the impairment of property, plant and equipment, right-of-use assets, and intangible assets are disclosed in Notes 15, 16 and 19 respectively.

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

4.2 Key sources of estimation uncertainty *(Continued)*

Write down of inventories

Inventories are stated at lower of cost and net realisable value. During the year, allowance of approximately RMB181.86 million (2020: approximately of RMB366.97 million) is made to write down the cost of inventories to their net realisable values.

The determination of the amount of provision of inventories requires judgement because the assessment of net realisable values of inventories requires management to make assumptions and to apply judgement regarding forecast consumer demand, inventory ageing, subsequent sales information and technological obsolescence. The management believes that there will not be a material change in the estimates or assumptions which are used in the assessment of net realisable values of inventories.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use and 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 2021, the carrying amount of goodwill is approximately RMB32,323.23 million (2020: approximately RMB33,290.32 million). Details of the recoverable amount calculation are disclosed in Note 18.

Deferred tax asset

As at 31 December 2021, a deferred tax asset of approximately RMB600.55 million (2020: approximately RMB935.96 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 RMB21,551.66 million (2020: approximately RMB25,320.22 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 Notes 5(b) and 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 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 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	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		(restated)
United States Dollar ("USD")	**87,220**	107,677	**4,517,727**	4,042,739
Hong Kong Dollar ("HKD")	**2,790,470**	2,905,010	**245,372**	123,699
European Dollar ("EUR")	**2,137,668**	2,927,245	**4,334,586**	5,766,865
Indonesian Rupiah ("IDR")	**67,834**	13,748	**339,921**	75,352
Nigerian Naira ("NGN")	**31,069**	5,309	**475,533**	251,575
West African CFA Franc ("XOF")	**2,431**	–	**4,452**	75,215
United Arab Emirates Dirhim ("AED")	**66,316**	232,289	**55,792**	83,578
Russian Ruble ("RUB")	**4,337**	20,312	**50,533**	110,385

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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
USD	**223,968**	182,653
HKD	**(128,658)**	(129,089)
EUR	**111,057**	131,789
IDR	**13,755**	2,859
NGN	**22,468**	11,431
XOF	**102**	3,491
AED	**(532)**	(6,903)
RUB	**2,335**	4,180

The change in exchange rate does not affect other component of equity.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, fixed rate borrowings and lease liabilities.

The Group is also exposed to cast flow 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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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

	2021 ***RMB'000***	2020 *RMB'000* (restated)
Interest revenue		
Financial assets at amortised cost	**884,734**	919,518

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

	2021 ***RMB'000***	2020 *RMB'000*
Financial liabilities at amortised cost	**8,120,782**	7,998,630

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 RMB69,237.60 million (2020: RMB68,432.07 million) were outstanding for the whole year. A 126 basis point (2020: 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 2021 would have decreased by RMB693.20 million (2020: RMB621.39 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.

(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 2021. 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 2021	**High/low 2021**	31 December 2020	High/low 2020
Hong Kong Stock Exchange – Hang Seng Index	**23,112**	**31,183/22,665**	27,231	29,056/21,696
Shenzhen Stock Exchange – Component Index	**14,857**	**16,293/13,252**	14,471	14,471/9,692
Shanghai Stock Exchange – Composite Index	**3,619**	**3,731/3,313**	3,473	3,473/2,660

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in Note 5.3(a).

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.

	2021			2020		
	Carrying amount of equity investments	**Increase in net profit**	**Increase in other comprehensive income**	Carrying amount of equity investments	Increase in net profit	Increase in other comprehensive income
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Investments listed in:						
Hong Kong, Shenzhen and Shanghai Stock Exchange	**5,008,368**	**381,770**	**–**	5,200,837	374,805	542

For a 10% decrease in the fair values of the equity investments, there would be an equal and opposite impact on the net profit or, where appropriate, other comprehensive income.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk and impairment assessment

As at 31 December 2021 and 2020, 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.

The Group has no significant concentration of credit risk. Trade receivable and contract asset (including amounts due from related parties with trading nature) consist of a large number of customers, spread across diverse geographical areas.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

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

(ii) Bills 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 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 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 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:

2021	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)	58,337,975
– Contract assets		N/A	Note	Lifetime ECL (provision matrix)	3,793,356
– Bills receivable		N/A	Low risk	12m ECL	18,879,400
– Other receivables, deposits and prepayments		N/A	Low risk	12m ECL	26,725,941
Deposits	25	N/A	Low risk	12m ECL	3,990,272
Amounts due from related parties	28	N/A	Low risk	12m ECL	3,031,385
Cash and cash equivalents	30	BBB to AA–	N/A	12m ECL	27,260,215
Pledged bank deposits	30	BBB to AA–	N/A	12m ECL	3,780,941

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

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

2020	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts *RMB'000* (restated)
Trade and other receivables	27				
– Trade receivables		N/A	Note	Lifetime ECL (provision matrix)	57,846,148
– Contract assets		N/A	Note	Lifetime ECL (provision matrix)	12,391,714
– Bills receivable		N/A	Low risk	12m ECL	20,885,169
– Other receivables, deposits and prepayments		N/A	Low risk	12m ECL	31,217,413
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	29,823,909
Pledged bank deposits	30	BBB to AA–	N/A	12m ECL	4,995,816

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 2021 and 2020.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

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

As at 31 December 2021	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Within two months	8.04%	55,163,801	4,436,648	50,727,153
More than two months but within one year	28.73%	1,418,705	407,576	1,011,129
Between one and two years	72.23%	1,867,929	1,349,210	518,719
Between two and three years	68.19%	1,037,279	707,341	329,938
Over three years	79.87%	2,643,617	2,111,498	532,119
		62,131,331	9,012,273	53,119,058

As at 31 December 2020	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000 (restated)	*RMB'000* (restated)	*RMB'000* (restated)
Within two months	10.35%	62,996,926	6,519,574	56,477,352
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
		70,237,862	9,920,790	60,317,072

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 2021, impairment allowance on trade receivables and contract assets is provided based on the provision matrix. Impairment loss of approximately RMB613.06 million (2020 (restated): RMB1,835.29 million) and RMB236.81 million (2020: RMB37.19 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)*

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

	RMB'000
As at 1 January 2020	
As previously reported	8,341,585
Business combination under common control	2,727
As restated	8,344,312
Impairment loss under expected credit loss model, net of reversal, as restated	1,872,482
Additions from acquisition of subsidiaries	10,513
Amounts written off as uncollectible	(283,151)
Disposal of subsidiaries, as restated	(23,366)
As at 31 December 2020, as restated	9,920,790
As at 1 January 2021	
As previously reported	9,919,753
Business combination under common control	1,037
As restated	9,920,790
Impairment loss under expected credit loss model, net of reversal	849,865
Additions from acquisition of subsidiaries	49,942
Amounts written off as uncollectible	(229,190)
Disposal of subsidiaries	(1,579,134)
As at 31 December 2021	9,012,273

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

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

Movements of the loss allowances for bills receivable, other receivables, prepayments and amounts due from related parties are as follows:

	RMB'000
As at 1 January 2020	
As previously reported	7,118,315
Business combination under common control	1,457
As restated	7,119,772
Impairment loss under expected credit loss model, net of reversal, as restated	1,145,518
Additions from acquisition of subsidiaries	3,664
Amounts written off as uncollectible	(175,809)
Disposal of subsidiaries, as restated	(51,808)
As at 31 December 2020, as restated	8,041,337
As at 1 January 2021	
As previously reported	8,039,479
Business combination under common control	1,858
As restated	8,041,337
Impairment loss under expected credit loss model, net of reversal	797,303
Additions from acquisition of subsidiaries	133,219
Amounts written off as uncollectible	(304,410)
Disposal of subsidiaries	(185,165)
As at 31 December 2021	8,482,284

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 2021, the Group has net current liabilities and capital commitments of approximately RMB33,158.36 million (2020 (restated): approximately RMB41,746.67 million) and approximately RMB938.29 million (2020: approximately RMB1,068.15 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 2021, the Group had unused banking facilities and bonds registered but not yet issued, of approximately RMB316,050.10 million (2020: approximately RMB302,728.26 million).

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative financial instruments. 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.

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 2021									
Trade and other payables	–	98,539,961	–	–	–	–	–	98,539,961	98,539,961
Amounts due to related parties									
– Interest-free	–	4,289,111	–	–	–	–	–	4,289,111	4,289,111
– Fixed rate	5.20%	573,286	–	–	–	–	–	573,286	544,949
Borrowings loans									
– Fixed rate bank loans	3.64%	20,116,805	8,974,242	5,753,902	94,633	724,227	3,626,320	39,290,129	37,911,236
– Variable rate bank loans	4.05%	32,347,385	21,748,280	10,079,134	2,074,930	1,273,490	4,519,960	72,043,179	69,237,598
– Other borrowings from non-financial institutions	5.60%	376,163	550,262	498,888	283,070	87,401	6,459	1,802,243	1,706,671
– Bonds	3.70%	23,743,433	9,127,605	16,171,855	3,162,447	4,779,395	3,148,822	60,133,557	57,988,000
Lease liabilities	4.65%	466,407	354,348	243,536	199,128	535,929	1,697,371	3,496,719	2,967,381
Dividends payable to non-controlling interests	–	1,301,091	–	–	–	–	–	1,301,091	1,301,091
		181,753,642	40,754,737	32,747,315	5,814,208	7,400,442	12,998,932	281,469,276	274,485,998
Derivative financial instruments – net settlement									
Foreign exchange forward contracts	–	248	–	–	–	–	–	248	248
Interest rate swaps	–	7,186	–	–	–	–	–	7,186	7,186
		7,434	–	–	–	–	–	7,434	7,434

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 2020									
Trade and other payables	–	98,213,176	–	–	–	–	–	98,213,176	98,213,176
Amounts due to related parties									
– Interest-free	–	2,360,513	–	–	–	–	–	2,360,513	2,360,513
– Fixed rate	5.20%	2,512,060	–	–	–	–	–	2,512,060	2,387,890
Borrowings loans									
– 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
Lease 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
		198,265,259	31,763,335	38,855,569	5,329,328	8,021,266	9,000,661	291,235,418	281,740,030
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)*

(d) Interest rate benchmark reform

As listed in Note 33, several of the Group's London Interbank Offered Rate ("**LIBOR**") and Hong Kong Interbank Offered Rate ("**HIBOR**") bank loans will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss franc and Japanese Yen settings, and the 1-week and 2-month US dollar settings; and

- immediately after 30 June 2023, in the case of the remaining US dollar settings.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("**HONIA**") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs and HIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(Continued)*

(d) Interest rate benchmark reform *(Continued)*

Interest rate related risks (Continued)

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

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) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Fair value hierarchy as at 31 December 2021

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments	–	16,578	–	16,578
Financial assets at fair value through profit or loss	5,008,368	–	5,775,783	10,784,151
Total assets	5,008,368	16,578	5,775,783	10,800,729
Liability				
Derivative financial instruments	–	7,434	–	7,434
Total liability	–	7,434	–	7,434

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Fair value hierarchy as at 31 December 2020

	Level 1 *RMB'000* (restated)	Level 2 *RMB'000* (restated)	Level 3 *RMB'000* (restated)	Total *RMB'000* (restated)
Assets				
Derivative financial instruments	–	16,148	–	16,148
Financial assets at fair value through profit or loss	5,193,311	–	3,502,798	8,696,109
Financial assets at fair value through other comprehensive income	7,526	–	–	7,526
Total assets	5,200,837	16,148	3,502,798	8,719,783
Liabilities				
Derivative financial instruments	–	19,338	–	19,338
Financial guarantee contracts	–	–	64,000	64,000
Total liabilities	–	19,338	64,000	83,338

During the years ended 31 December 2021 and 2020, there were no significant transfers between levels of the financial assets and financial liabilities.

During the years ended 31 December 2021 and 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) Fair value of the Group's financial assets and financial liabilities 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) Fair value of the Group's financial assets and financial liabilities 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 2021	31 December 2020 (restated)	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: RMB3,537,028,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB2,231,628,000	Discounted cash flows Key unobservable inputs are: Expected yields of 1.48% to 3.45% (2020: 0.6% 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 RMB2,238,755,000	Unlisted equity shares, amounts of RMB1,271,170,000	Market comparable companies Key unobservable input: Discount rate for lack of marketability – 26.9 to 30.8% (2020: 30.3%) *(Note (ii))* Net assets value The effects of unobservable inputs are not significant	The higher the discount rate, the lower the fair value

Notes*:*

(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/earnings 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 2021, 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 profit or loss by RM9.77 million (2020: RMB8.82 million).

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

(a) Fair value of the Group's financial assets and financial liabilities 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 2020	
As previously reported	3,492,239
Business combination under common control	12,214
As restated	3,504,453
Total gain recognised in profit or loss	3,526
Additions, as restated	10,684,960
Disposal	(10,690,141)
At 31 December 2020, as restated	3,502,798
At 1 January 2021	
As previously reported	3,480,054
Business combination under common control	22,744
As restated	3,502,798
Total loss recognised in profit or loss	(16,520)
Additions	12,560,883
Disposal	(10,271,378)
At 31 December 2021	5,775,783

(b) Fair value of the Group's financial assets and liabilities financial that are not measured at fair value on a recurring basis

The management of the Group considers that the carrying amounts of financial assets and financial liabilities at cost or amortised cost were not materially different from their fair value.

6 REVENUE

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Sale of goods	**233,714,548**	220,209,223
Provision of engineering services	**35,388,106**	30,014,413
Rendering of other services	**4,580,749**	4,619,025
	273,683,403	254,842,661

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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB25,087.39 million (2020: RMB63,581.63 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 was 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 2021 and 2020.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

For the year ended 31 December 2021

	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	135,098,705	50,760,299	45,258,149	2,674,857	4,503,287	–	238,295,297
Over time	–	–	–	35,388,106	–	–	35,388,106
	135,098,705	50,760,299	45,258,149	38,062,963	4,503,287	–	273,683,403
Inter-segment sales (Note)	2,443,067	59,120	326,223	8,842,573	7,051,674	(18,722,657)	–
	137,541,772	50,819,419	45,584,372	46,905,536	11,554,961	(18,722,657)	273,683,403
Adjusted EBITDA	34,076,518	3,466,055	11,304,081	2,338,580	320,936	–	51,506,170
Depreciation and amortisation	(10,390,831)	(1,052,524)	(2,468,595)	(671,364)	(152,204)	–	(14,735,518)
Unallocated other income, net							60,468
Unallocated administrative expenses							(26,276)
Share of results of associates	1,403,790	19,810	115,636	24,566	2,459,379	–	4,023,181
Share of results of joint ventures	(671)	–	(3,649)	–	–	–	(4,320)
Finance costs, net	(4,395,464)	(1,070,770)	(641,009)	(503,368)	(270,664)	–	(6,881,275)
Unallocated finance costs, net							(354,773)
Profit before income tax							33,587,657
Income tax expense							(7,968,613)
Profit for the year							25,619,044

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 2021 *(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 results of associates, share of results of joint ventures and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the year under evaluation compared to relying on one of the measures.

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

	Cement *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Other information							
Additions to non- current assets:							
Property, plant and equipment	19,413,106	1,581,474	5,426,924	1,001,378	182,538	–	27,605,420
Right-of-use assets	1,035,707	220,053	389,944	175,176	10,445	–	1,831,325
Intangible assets	6,348,319	582,134	531,313	501,828	1,989	–	7,965,583
Unallocated							42,094
	26,797,132	2,383,661	6,348,181	1,678,382	194,972	–	37,444,422
Acquisition of subsidiaries	6,991,658	2,479	263,075	–	73,026	–	7,330,238
Depreciation and amortisation							
Property, plant and equipment	7,200,491	512,410	2,090,743	405,063	125,301	–	10,334,008
Right-of-use assets	2,062,679	155,166	140,188	20,310	15,709	–	2,394,052
Intangible assets	1,127,661	384,948	237,664	245,991	11,194	–	2,007,458
Unallocated							78,758
	10,390,831	1,052,524	2,468,595	671,364	152,204		14,814,276

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

For the year ended 31 December 2021 *(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	523,083	1,026,296	(303,256)	381,331	19,714	–	1,647,168
Impairment of goodwill	1,879,962	934,302	–	49,566	–	–	2,863,830
Impairment of property, plant and equipment	1,578,134	439,116	91,546	19,935	62,627	–	2,191,358
Write down of inventories	54,787	4,183	97,732	13,982	11,172	–	181,856
Consolidated statement of financial position							
Assets							
Segment assets	236,960,704	53,195,596	64,192,085	28,342,445	6,246,241	–	388,937,071
Interests in associates	12,195,603	65,257	7,745,747	3,495,095	3,369,008	–	26,870,710
Interests in joint ventures	30,840	–	100,508	–	–	–	131,348
Unallocated assets							46,603,002
Total consolidated assets							462,542,131
Liabilities							
Segment liabilities	131,545,710	17,922,262	31,122,629	25,297,597	6,744,977	–	212,633,175
Unallocated liabilities							71,284,533
Total consolidated liabilities							283,917,708

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

For the year ended 31 December 2020

	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	127,508,501	51,110,289	41,034,069	3,745,607	1,429,782	–	224,828,248
Over time	–	–	–	30,014,413	–	–	30,014,413
	127,508,501	51,110,289	41,034,069	33,760,020	1,429,782	–	254,842,661
Inter-segment sales (Note)	1,555,612	29,678	656,119	6,154,971	2,238,123	(10,634,503)	–
	129,064,113	51,139,967	41,690,188	39,914,991	3,667,905	(10,634,503)	254,842,661
Adjusted EBITDA	37,521,621	5,197,574	7,796,638	240,533	(2,507,750)	–	48,248,616
Depreciation and amortisation	(10,758,327)	(674,031)	(2,355,847)	(503,762)	(120,382)	–	(14,412,349)
Unallocated other income, net							62,864
Unallocated administrative expenses							(33,963)
Share of results of associates	1,743,695	(22,314)	49,812	23,040	1,478,748	–	3,272,981
Share of results of joint ventures	(1,026)	–	2,380	–	–	–	1,354
Finance costs, net	(4,843,675)	(1,041,314)	(569,629)	(268,082)	(327,139)	–	(7,049,839)
Unallocated finance costs, net							(29,273)
Profit before income tax							30,060,391
Income tax expense							(8,395,946)
Profit for the year							21,664,445

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 results of associates, share of results of joint ventures and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the year under evaluation compared to relying on one of the measures.

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

	Cement *RMB'000* (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							
Additions to non-current assets:							
Property, plant and equipment	12,878,520	905,143	4,515,835	804,236	242,278	–	19,346,012
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
	21,286,988	1,087,248	5,170,592	1,009,082	285,844		28,874,653
Acquisition of subsidiaries	1,590,489	1,237,486	182,045	314,566	–		3,324,586
Depreciation and amortisation							
Property, plant and equipment	7,416,647	497,792	1,831,498	423,105	87,331	–	10,256,373
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							86,280
	10,758,327	674,031	2,355,847	503,762	120,382		14,498,629

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

For the year ended 31 December 2020 *(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)
Impairment loss under expected credit loss model, net of reversal	1,309,315	813,108	702,422	162,325	30,829	–	3,017,999
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 inventories	162,589	1,670	193,714	(2,313)	11,312	–	366,972
Consolidated statement of financial position							
Assets							
Segment assets	219,642,105	47,061,694	58,708,486	58,288,394	5,464,043	–	389,164,722
Interests in associates	9,995,580	40,541	6,116,844	342,910	2,817,691	–	19,313,566
Interests in joint ventures	10,511	–	87,507	–	–	–	98,018
Unallocated assets							48,066,284
Total consolidated assets							456,642,590
Liabilities							
Segment liabilities	116,953,391	16,239,371	28,149,957	47,303,805	6,265,317	–	214,911,841
Unallocated liabilities							76,435,157
Total consolidated liabilities							291,346,998

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:

	2021 ***RMB'000***	2020 *RMB'000* (restated)
Adjusted EBITDA for reportable segments	**51,185,234**	50,756,366
Adjusted EBITDA for other segments	**320,936**	(2,507,750)
Total segments profit	**51,506,170**	48,248,616
Depreciation of property, plant and equipment	**(10,334,008)**	(10,256,373)
Amortisation of in right-of-use assets	**(2,394,052)**	(2,474,730)
Amortisation of intangible assets	**(2,007,458)**	(1,681,246)
Corporate items	**34,192**	28,901
Operating profit	**36,804,844**	33,865,168
Finance costs, net	**(7,236,048)**	(7,079,112)
Share of results of associates	**4,023,181**	3,272,981
Share of results of joint ventures	**(4,320)**	1,354
Profit before income tax	**33,587,657**	30,060,391

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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
PRC	**256,269,805**	236,932,547
Europe	**2,674,757**	2,781,998
Middle East	**1,359,731**	1,619,977
Southeast Asia	**2,749,865**	3,236,546
Oceania	**815,804**	724,631
Africa	**8,727,784**	6,661,170
Americas	**213,406**	1,751,296
Others	**872,251**	1,134,496
	273,683,403	254,842,661

(c) Information of major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2021 and 2020.

8 INVESTMENT AND OTHER INCOME, NET

	2021 *RMB'000*	2020 *RMB'000* (restated)
Dividends from financial assets at fair value through profit or loss	**111,919**	167,178
Discount on acquisition of interests in subsidiaries (Note 43(a))	**17,709**	5,529
Government subsidies:		
– VAT refunds (Note (a))	**1,410,559**	1,606,730
– Government grants (Note (b))	**1,333,364**	1,314,725
– Interest subsidy	**173**	2,913
Gain on disposal of subsidiaries, net (Note 43(b))	**626,319**	150,819
Gain on disposal of associates, net	**96,181**	1,337
Gain on disposal of other investments	**49,485**	65,378
Decrease in fair value of financial assets at fair value through profit or loss, net	**(132,122)**	(212,692)
Increase in fair value of derivative financial instruments, net	**14,661**	11,563
Net rental income from:		
– Investment properties (Note 17)	**54,962**	62,645
– Land and building	**52,294**	57,346
– Equipment	**167,503**	149,021
Gain on disposal of property, plant and equipment		
– Gain on disposal of properties	**806,557**	651,931
– Others	**11,462**	97,674
Gain on disposal of intangible assets	**289,477**	313,958
Technical and other service income	**656,647**	398,092
Claims received	**672,455**	144,676
Waiver of payables	**165,994**	192,228
Others	**119,809**	154,894
	6,525,408	5,335,945

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

	2021 RMB'000	2020 RMB'000 (restated)
Interest expenses on bank borrowings	**4,947,003**	4,761,745
Interest expenses on bonds and other borrowings	**3,212,793**	3,231,141
Interest on lease liabilities	**211,224**	255,121
Less: interest capitalised to construction in progress	**(250,238)**	(249,377)
	8,120,782	7,998,630
Interest income:		
– interest on bank deposits	**(566,653)**	(433,256)
– interest on loans receivables	**(318,081)**	(486,262)
	(884,734)	(919,518)
Finance costs, net	**7,236,048**	7,079,112

Borrowing costs capitalised for the year ended 31 December 2021 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.43% (2020: 3.13%) per annum to expenditure on the qualifying assets.

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2021

	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. Zhou Yuxian(Note a)	–	–	–	–	–	–
Mr. Chang Zhangli	–	–	–	–	–	–
Mr. Fu Jinguang	–	943	960	53	–	1,956
Mr. Xiao Jiaxiang (Note a)	–	128	120	7	–	255
Mr. Wang Bing (Note a)	–	127	120	7	–	254
Mr. Cao Jianglin (Note b)	–	–	–	–	–	–
Mr. Cui Xingtai (Note c)	–	–	–	–	–	–
Non-executive directors						
Mr. Li Xinhua	–	–	–	–	–	–
Mr. Wang Yumeng	–	–	–	–	–	–
Mr. Peng Shou	–	1,456	960	39	–	2,455
Mr. Shen Yungang	–	–	–	–	–	–
Mr. Fan Xiaoyan	–	–	–	–	–	–
Mr. Tao Zheng (Note c)	–	–	–	–	–	–
Mr. Chen Yongxin (Note c)	–	–	–	–	–	–
Ms. Zhan Yanjing (Note c)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Sun Yanjun	300	–	–	–	–	300
Mr. Liu Jianwen	300	–	–	–	–	300
Mr. Zhou Fangsheng	300	–	–	–	–	300
Mr. XiaXue	300	–	–	–	–	300
Mr. Li Jun	300	–	–	–	–	300
Supervisors						
Mr. Li Xinhua	–	–	–	–	–	–
Mr. Guo Yanming	–	–	–	–	–	–
Ms. Zeng Xuan	–	547	300	53	–	900
Ms. Yu Yuehua	–	537	300	53	–	890
Ms. Du Guangyuan (Note a)	–	62	18	7	–	87
Mr. Wang Yumeng	–	–	–	–	–	–
Mr. Xu Qian	–	–	–	–	–	–
Independent supervisors						
Mr. Wu Weiku	200	–	–	–	–	200
Mr. Li Xuan	200	–	–	–	–	200
	1,900	3,800	2,778	219	–	8,697

Notes:

(a) Appointed on 19 November 2021.
(b) Resigned on 21 October 2021.
(c) Resigned on 19 November 2021.

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

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

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)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2020: none) of the directors of the Company whose emoluments are included in the disclosures below. The emoluments in respect of five (2020: five) individuals were as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits-in-kind	**5,656**	4,630
Discretionary bonuses	**10,582**	11,562
Retirement plan contributions	**216**	35
	16,454	16,227

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

	Number of the five highest paid individuals	
	2021	2020
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	**–**	–
HKD3,000,001 – HKD3,500,000	**–**	3
HKD3,500,001 – HKD4,000,000	**3**	2
HKD4,000,001 – HKD4,500,000	**2**	–

No emoluments were paid by the Group to the directors, supervisors nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and none of the directors and supervisors has waived any emoluments for both years.

11 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	2021 **RMB'000**	2020 RMB'000 (restated)
Depreciation of:		
Property, plant and equipment	**10,386,049**	10,308,089
Investment properties	**26,283**	33,969
Right-of-use assets	**2,394,052**	2,474,730
	12,806,384	12,816,788
Amortisation of intangible assets	**2,007,892**	1,681,841
Total depreciation and amortisation	**14,814,276**	14,498,629
Impairment loss on goodwill*	**2,863,830**	4,211,401
Impairment loss on property, plant and equipment*	**2,191,358**	4,857,114
Impairment loss on intangible assets*	**149,772**	105,591
Impairment loss on right-of-use assets*	**–**	10,559
Impairment loss on interests in associates*	**–**	15
Cost of inventories recognised as expenses	**198,153,007**	177,462,520
Gain on disposal of property, plant and equipment, investment properties and intangible assets, net	**(1,107,496)**	(1,063,563)
Auditor's remuneration		
– Audit services	**9,768**	7,377
– Non-audit service	**1,528**	4,143
Total auditor's remuneration	**11,296**	11,520
Staff costs including directors' remunerations		
– Salaries, bonus and other allowances	**20,685,966**	18,326,640
– Equity-settled share-based payment expenses	**–**	5,514
– Retirement plan contributions	**2,296,893**	1,047,726
Total staff costs	**22,982,859**	19,379,880
Write down of inventories	**181,856**	366,972
Net foreign exchange loss	**671,260**	657,387

* These impairment losses are included in administrative expenses in the Consolidated statement of profit of loss.

12 INCOME TAX EXPENSE

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

	2021 **RMB'000**	2020 RMB'000 (restated)
Current income tax	**7,972,392**	9,081,799
Deferred income tax (Note 34)	**(3,779)**	(685,853)
	7,968,613	8,395,946

PRC income tax is calculated at 25% (2020: 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 tax charge for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss as follows:

	2021 **RMB'000**	2020 RMB'000 (restated)
Profit before income tax	**33,587,657**	30,060,391
Tax at domestic income tax rate of 25% (2020: 25%)	**8,396,914**	7,515,097
Tax effect of:		
Share of results of associates	**(1,005,795)**	(818,245)
Share of results of joint ventures	**1,080**	(338)
Tax effect of expenses not deductible for tax purposes	**1,334,921**	2,511,834
Tax effect of income not taxable for tax purposes	**(704,268)**	(1,177,726)
Tax effect of tax losses not recognised	**1,665,258**	1,637,522
Utilisation of tax losses previously not recognised	**(339,035)**	(436,552)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment (Note)	**(23,726)**	(9,997)
Effect of different tax rates of subsidiaries	**(1,356,736)**	(825,649)
	7,968,613	8,395,946

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

	2021			2020		
	Before taxation *RMB'000*	**Taxation (charged)/ credited (Note 34)** *RMB'000*	**Net of taxation** *RMB'000*	Before taxation *RMB'000* (restated)	Taxation credited/ (charged) (Note 34) *RMB'000* (restated)	Net of taxation *RMB'000* (restated)
Actuarial (loss)/gain on defined benefit obligations	**(3,122)**	**212**	**(2,910)**	620	134	754
Change in the fair value of equity instruments at fair value through other comprehensive income	**1,395**	**(209)**	**1,186**	2,399	(361)	2,038
Currency translation differences	**6,803**	**–**	**6,803**	7,831	–	7,831
Share of associates' other comprehensive income/ (expense)	**46,485**	**–**	**46,485**	(49,883)	–	(49,883)
Share of joint ventures' other comprehensive expense	**(1,050)**	**–**	**(1,050)**	(487)	–	(487)
Change in the fair value on hedging instruments designated as cash flow hedges	**12,132**	**(1,820)**	**10,312**	(2,278)	342	(1,936)
Other comprehensive income/ (expense)	**62,643**	**(1,817)**	**60,826**	(41,798)	115	(41,683)

13 DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends paid – RMB0.47 (2020: RMB0.35) per share by the Company	**3,964,342**	2,952,170
Proposed final dividend – RMB0.693 (2020: RMB0.47) per share by the Company (see below)	**5,845,296**	3,964,342

The final dividend of RMB5,845,296,068.77 in total (pre-tax) has been proposed by the board of directors on 25 March 2022 and is 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:

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Profit attributable to owners of the Company	**16,218,359**	12,562,708

	2021	2020
	'000	*'000*
Weighted average number of ordinary shares in issue	**8,434,771**	8,434,771

No diluted earnings per share has 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 2020					
As previously reported	19,417,849	114,127,509	113,788,195	5,832,559	253,166,112
Business combination under common control (Note 45)	9,890	16,074	5,836	1,024	32,824
As restated	19,427,739	114,143,583	113,794,031	5,833,583	253,198,936
Additions, as restated	15,402,539	1,466,647	2,208,444	272,768	19,350,398
Acquisition of subsidiaries (Note 43(a))	414,196	1,020,258	747,567	33,634	2,215,655
Transfer from construction in progress, as restated	(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, as restated	(3,497,127)	(3,040,764)	(4,787,805)	(1,279,412)	(12,605,108)
Disposal of subsidiaries, as restated (Note 43(b))	(217,323)	(897,422)	(1,159,673)	(5,393)	(2,279,811)
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, as restated	20,384,041	116,625,544	116,872,200	4,892,429	258,774,214

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 2021					
As previously reported	20,315,088	116,609,326	116,865,787	4,891,347	258,681,548
Business combination under common control (Note 45)	68,953	16,218	6,413	1,082	92,666
As restated	20,384,041	116,625,544	116,872,200	4,892,429	258,774,214
Additions	21,751,725	2,392,484	3,137,793	342,739	27,624,741
Acquisition of subsidiaries (Note 43(a))	218,162	2,780,542	1,715,718	21,283	4,735,705
Transfer from construction in progress	(19,750,416)	7,272,273	12,450,820	27,323	–
Transfer to construction in progress for reconstruction	67,027	(30,393)	(207,238)	–	(170,604)
Disposals	(5,995,842)	(1,940,303)	(3,870,855)	(1,569,174)	(13,376,174)
Disposal of subsidiaries (Note 43(b))	(398,655)	(1,109,732)	(3,260,020)	(18,655)	(4,787,062)
Transfer from investment properties (Note 17)	–	18,035	–	–	18,035
Transfer to investment properties (Note 17)	(92,602)	(11,123)	–	–	(103,725)
As at 31 December 2021	16,183,440	125,997,327	126,838,418	3,695,945	272,715,130

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	26,155,134	49,675,695	3,451,698	80,016,918
Business combination under common control (Note 45)	–	12,160	3,445	599	16,204
As restated	734,391	26,167,294	49,679,140	3,452,297	80,033,122
Charge for the year, as restated	–	3,282,751	6,592,416	432,922	10,308,089
Disposals, as restated	(171,487)	(1,595,253)	(3,942,213)	(1,135,050)	(6,844,003)
Impairment loss recognised	290,226	2,360,313	2,119,968	86,607	4,857,114
Transfer from construction in progress	(1,606)	1,606	–	–	–
Transfer to construction in progress for reconstruction	–	(4,225)	(36,991)	(406)	(41,622)
Disposal of subsidiaries, as restated (Note 43(b))	(19,242)	(375,649)	(640,152)	(4,735)	(1,039,778)
Transfer from investment properties (Note 17)	–	59,465	–	–	59,465
Transfer to investment properties (Note 17)	–	(14,930)	–	–	(14,930)
Reclassified as held for sale (Note 31)	–	(332,733)	(664,197)	(3,174)	(1,000,104)
As at 31 December 2020, as restated	832,282	29,548,639	53,107,971	2,828,461	86,317,353

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 2021					
As previously reported	832,282	29,536,136	53,105,621	2,827,752	86,301,791
Business combination under common control (Note 45)	–	12,503	2,350	709	15,562
As restated	832,282	29,548,639	53,107,971	2,828,461	86,317,353
Charge for the year	–	3,254,948	6,707,756	423,345	10,386,049
Disposals	(9,515)	(1,322,775)	(3,385,093)	(1,446,315)	(6,163,698)
Impairment loss recognised	326,491	1,000,837	820,522	43,508	2,191,358
Transfer to construction in progress for reconstruction	–	(10,943)	(159,661)	–	(170,604)
Disposal of subsidiaries (Note 43(b))	–	(257,798)	(824,513)	(9,036)	(1,091,347)
Transfer from investment properties (Note 17)	–	7,977	–	–	7,977
Transfer to investment properties (Note 17)	–	(2,949)	–	–	(2,949)
As at 31 December 2021	1,149,258	32,217,936	56,266,982	1,839,963	91,474,139
Carrying amount					
As at 31 December 2021	15,034,182	93,779,391	70,571,436	1,855,982	181,240,991
As at 31 December 2020, as restated	19,551,759	87,076,905	63,764,229	2,063,968	172,456,861

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:

	2021 ***RMB'000***	2020 *RMB'000*
Construction in progress	**880,000**	–
Land and buildings	**168,510**	814,623
Plant and machinery	**392,704**	1,150,350
Motor vehicles	**237**	–
Total	**1,441,451**	1,964,973

At 31 December 2021, land and buildings with carrying amount of approximately RMB4,699.97 million (2020: approximately RMB3,202.39 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.

With assistance from independent professional valuer, management of the Group assessed the recoverable amounts of these production lines assets, except for those that can be used by other business within the Group, and concluded the relevant, recoverable amounts are 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 scrap sales.

The key assumptions used in estimating the value in use of these production lines are similar. The value in use calculations use cash flow projection based on the financial budgets approved by the management covering the remaining period of these assets before their scheduled shutdown with a pre-tax discount rate of 10%-16% (2020: 10% – 16%). 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 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 RMB2,191.36 million (2020: approximately RMB4,857.11 million) has been recognised in respect of these property, plant and equipment in profit or loss for the year.

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 2021					
Carrying amount	**20,605,975**	**2,805,013**	**5,662,340**	**203,730**	**29,277,058**
As at 31 December 2020					
Carrying amount	**19,711,297**	**2,828,287**	**7,213,325**	**226,677**	**29,979,586**
For the year ended 31 December 2021					
Depreciation charge	**(561,222)**	**(246,901)**	**(1,555,096)**	**(30,833)**	**(2,394,052)**
For the year ended 31 December 2020					
Depreciation charge	(570,513)	(241,406)	(1,616,589)	(46,222)	(2,474,730)
Impairment loss recognised	(10,559)	–	–	–	(10,559)

	2021 *RMB'000*	2020 *RMB'000*
Expense relating to short-term leases	**265,940**	340,546
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**3,348**	2,169
Variable lease payments not included in the measurement of lease liabilities	**161**	273
Total cash outflow for leases	**1,082,319**	2,316,750
Additions to right-of-use assets	**1,831,325**	1,482,188
Additions upon acquisition of subsidiaries	**1,238,292**	181,150

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 (2020: 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 those with a total carrying amount of RMB221.16 million (2020: RMB14.66 million) where the applications are still in the process.

The Group regularly entered into short-term leases for office, plant and machinery and motor vehicles. As at 31 December 2021 and 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.

During the year ended 31 December 2021, no Impairment loss (2020: impairment loss of approximately RMB10.56 million) has been recognised in relation to shutdown of production lines. For details, please refer to Note 15.

As at 31 December 2021, the Group has pledged leasehold lands with a carrying amount of RMB152.88 million (2020: RMB242.43 million) to secure bank borrowings granted to the Group.

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.

As at 31 December 2021, the Group entered into new leases for several production plants that have not yet commenced, with average non-cancellable period ranging from 2 to 18 years (2020: Nil), excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to RMB225.51 million (2020: Nil).

17 INVESTMENT PROPERTIES

	RMB'000
Cost	
As at 1 January 2020	
As previously reported	1,328,340
Business combination under common control (Note 45)	10,779
As restated	1,339,119
Additions	30,513
Disposal	(40,764)
Transfer from property, plant and equipment (Note 15)	59,261
Transfer to property, plant and equipment (Note 15)	(178,207)
Transfer to right-of-use assets	(12,955)
As at 31 December 2020, as restated	1,196,967
As at 1 January 2021	
As previously reported	**1,186,188**
Business combination under common control (Note 45)	**10,779**
As restated	**1,196,967**
Additions	**22,773**
Disposal	**(66,756)**
Transfer from property, plant and equipment (Note 15)	**103,725**
Transfer to property, plant and equipment (Note 15)	**(18,035)**
Transfer from right-of-use assets	**93,620**
Transfer to right-of-use assets	**(1,225)**
As at 31 December 2021	**1,331,069**

	RMB'000
Depreciation	
As at 1 January 2020	
As previously reported	354,302
Business combination under common control (Note 45)	4,967
As restated	359,269
Charge for the year, as restated	33,969
Disposal	(3,803)
Transfer from property, plant and equipment (Note 15)	14,930
Transfer to property, plant and equipment (Note 15)	(59,465)
Transfer to right-of-use assets	(5,096)
As at 31 December 2020, as restated	339,804
As at 1 January 2021	
As previously reported	**334,545**
Business combination under common control (Note 45)	**5,259**
As restated	**339,804**
Charge for the year	**26,283**
Disposal	**(4,860)**
Transfer from property, plant and equipment (Note 15)	**2,949**
Transfer to property, plant and equipment (Note 15)	**(7,977)**
Transfer from right-of-use assets	**10,071**
Transfer to right-of-use assets	**(416)**
As at 31 December 2021	**365,854**
Carrying amount	
As at 31 December 2021	**965,215**
As at 31 December 2020, as restated	**857,163**

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2020: 2.38%) per annum.

17 INVESTMENT PROPERTIES *(CONTINUED)*

The fair value of the Group's investment properties as at 31 December 2021 was approximately RMB1,256.21 million (2020 (restated): approximately RMB2,445.96 million). The fair value has been arrived at based on valuations carried out by independent qualified professional valuers not connected with the Group.

The fair value was determined based on either the income capitalisation approach or direct comparison approach. For income capitalisation approach, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted, ranging from 6.0% to 7.5% (2020: 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 RMB97.80 million (2020: RMB77.41 million), were assessed by income capitalisation approach, which categorised under level 3 fair value hierarchy, with fair value of RMB315.59 million (2020: RMB370.50 million); the remaining investment properties were assessed by direct comparison approach, which were categorised under level 2 fair value hierarchy, with fair value of RMB2,562.05 million (2020 (restated): RMB2,075.46 million). There was no transfer into or out of level 3 fair value hierarchy during the year ended 31 December 2021 (2020: Nil).

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 RMB70.70 million (2020 (restated): approximately RMB80.90 million). Direct operating expenses arising on the investment properties amounted to approximately RMB15.74 million (2020 (restated): approximately RMB18.26 million).

18 GOODWILL

	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**33,290,321**	37,886,421
Arising from acquisition of subsidiaries (Note 43(a))	**2,117,973**	254,210
De-registration of a subsidiary	**(40,637)**	(432,858)
Disposal of subsidiaries (Note 43(b))	**(62)**	(215,280)
Impairment loss recognised	**(2,863,830)**	(4,211,401)
Exchange difference	**(180,533)**	9,229
As at 31 December	**32,323,232**	33,290,321

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:

	2021	2020
	RMB'000	*RMB'000*
Cement	**25,852,025**	25,807,632
Concrete	**5,190,690**	6,197,731
New materials	**515,907**	438,984
Engineering services	**704,140**	785,441
Others	**60,470**	60,533
	32,323,232	33,290,321

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 2021, the Group recognised impairment loss of RMB1,879.96 million (2020: RMB4,039.11 million), RMB934.30 million (2020: Nil) and RMB49.57 million (2020: RMB172.29 million) in relation to goodwill allocated to the CGU of cement and concrete operation and engineering service operation respectively. Losses have been incurred by certain subsidiaries of the cement segment, concrete segment and engineering service segment and the recoverable amount of these subsidiaries is less than their carrying amount. The management does not expect these subsidiaries to operate at a profit in the foreseeable future.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Cement and Concrete

The recoverable amounts of the groups of CGUs of cement and concrete operations have been determined based on the value in use calculation. Their recoverable amounts are based on certain similar key assumptions. Both value in use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with growth rate of 0%-10% (2020: 0%-10%), and pre-tax discount rates of 10%-15% (2020: 10%-16%). 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%-6% (2020: 0%-8%) and pre-tax discount rates of 9%-10% (2020: 11%-14%). 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 2020	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
Cost			
As at 1 January 2021	**23,082,474**	**3,320,352**	**26,402,826**
Additions	**6,736,546**	**1,229,037**	**7,965,583**
Acquisition of subsidiaries (Note 43(a))	**943,756**	**412,485**	**1,356,241**
Disposals	**(71,496)**	**(24,181)**	**(95,677)**
Disposals of subsidiaries (Note 43(b))	**–**	**(575,695)**	**(575,695)**
Exchange difference	**(435)**	**(29,233)**	**(29,668)**
As at 31 December 2021	**30,690,845**	**4,332,765**	**35,023,610**

19 INTANGIBLE ASSETS (CONTINUED)

	Mining rights RMB'000	Patents and trademarks RMB'000	Total RMB'000
Amortisation and impairment			
As at 1 January 2020	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
Amortisation and impairment			
As at 1 January 2021	**5,367,928**	**1,960,768**	**7,328,696**
Charge for the year	**1,377,972**	**629,920**	**2,007,892**
Disposals	**(38,894)**	**(9,716)**	**(48,610)**
Disposals of subsidiaries (Note 43(b))	**–**	**(1,572)**	**(1,572)**
Impairment loss recognised	**88,268**	**61,504**	**149,772**
Exchange difference	**(15)**	**(14,578)**	**(14,593)**
As at 31 December 2021	**6,795,259**	**2,626,326**	**9,421,585**
Carrying amount			
As at 31 December 2021	**23,895,586**	**1,706,439**	**25,602,025**
As at 31 December 2020	**17,714,546**	**1,359,584**	**19,074,130**

19 INTANGIBLE ASSETS *(CONTINUED)*

Trademarks have indefinite useful lives. Patents included above have finite useful lives, over which the assets are amortised. The amortisation rates of patents are ranging from 5% to 10% per annum. Mining rights are amortised over its concession period from 2 to 30 years.

During the year ended 31 December 2021, the management conducted a review of the Group's intangible assets and determined that certain assets will not generate future benefit to the Group. Accordingly, impairment loss of approximately RMB149.77 million (2020: approximately RMB105.59 million) is 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 2021 and 2020, which are established and operated in the PRC, are as follows:

			Attributable equity interest to the Company				
	Legal	Nominal value of	Direct		Indirect		Principal
Name of subsidiary	status	paid-in capital	**2021**	2020	**2021**	2020	activities
			%	%	**%**	%	
China United Cement Corporation Limited ("China United Cement") (Note 44(a))	Limited liability company	RMB8,000,000,000	**–**	100.00	**87.70**	–	Production and sale of cement
South Cement Company Limited ("South Cement") (Note 44(a)	Limited liability company	RMB1,103,633,369	**–**	84.83	**87.63**	–	Production and sale of cement
Shanghai South Cement Company Limited	Limited liability company	RMB5,000,000,000	**–**	–	**87.63**	84.83	Production and sale of cement
Zhejiang South Cement Company Limited	Limited liability company	RMB4,500,000,000	**–**	–	**87.63**	84.83	Production and sale of cement
Hunan South Cement Company Limited	Limited liability company	RMB5,000,000,000	**–**	–	**87.63**	84.83	Production and sale of cement
South New Materials Technology Company Limited	Limited liability company	RMB2,410,000,000	**–**	–	**87.63**	84.83	Production and sale of composite materials
Jiangxi South Cement Company Limited	Limited liability company	RMB3,000,000,000	**–**	–	**87.63**	84.83	Production and sale of cement
Huzhou South Cement Company Limited	Limited liability company	RMB1,000,000,000	**–**	–	**87.63**	84.83	Production and sale of cement

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020, 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 2021 %	Direct 2020 %	Indirect 2021 %	Indirect 2020 %	Principal activities
North Cement Company Limited	Limited liability company	RMB4,000,000,000	**70.00**	70.00	**4.03**	3.90	Production and sale of cement
South West Cement Company Limited ("Southwest Cement") (Note 44(a))	Limited liability company	RMB11,672,940,193	**–**	79.84	**83.94**	–	Production and sale of cement
Sichuan Southwest Cement Company Limited	Limited liability company	RMB3,000,000,000	**–**	–	**83.94**	79.84	Production and sale of cement
Chongqing Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	**–**	–	**83.94**	79.84	Production and sale of cement
Guizhou Southwest Cement Company Limited	Limited liability company	RMB3,000,000,000 (2020: RMB2,000,000,000)	**–**	–	**83.94**	79.84	Production and sale of cement
Yunnan Southwest Cement Company Limited	Limited liability company	RMB2,000,000,000	**–**	–	**83.94**	79.84	Production and sale of cement
Sinoma Cement Company Limited ("Sinoma Cement")	Limited liability company	RMB1,853,280,000	**–**	100.00	**87.70**	–	Production and sale of cement
Tianshan Cement (Note (i)) (Note 44 (a))	joint stock company with limited liability	RMB8,348,805,927 (2020: RMB1,048,722,959)	**87.70**	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
Gansu Qilianshan Cement Group Company Limited ("Qilianshan Cement") (Note (iii))	Joint stock company with limited liability	RMB776,290,282	**–**	–	**19.26**	19.26	Production and sale of cement
Beijing New Building Material Public Limited Company ("BNBM") (Notes (iv) & (v))	Joint stock company with limited liability	RMB1,689,507,842	**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

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020, 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 2021 %	Direct 2020 %	Indirect 2021 %	Indirect 2020 %	Principal activities
Sinoma Science & Technology Company Limited ("Sinoma Science & Technology") (Note (vii))	Joint stock company with limited liability	RMB1,678,123,584	**60.24**	60.24	**–**	–	Production and sale of composite materials
Taishan Fiberglass Inc. ("CTG")	Limited liability company	RMB3,911,724,537	**–**	–	**60.24**	60.24	Production and sale of fiberglass
Sinoma Wind Power Blade Company Limited	Limited liability company	RMB441,019,253	**–**	–	**60.24**	60.24	Production and sale of turbine blades
Lianyuangang Zhongfu Lianzhong Composite Material Group Company Limited	Limited liability company	RMB261,307,535	**–**	–	**60.24**	60.24	Production and sale of composite materials
Sinoma International Engineering Company Limited ("Sinoma International") (Note (viii)) (Note 44(a))	Joint stock company with limited liability	RMB2,219,082,949 (2020: RMB1,754,257,928)	**45.08**	40.03	**–**	–	Production and sale of engineering services
Chengdu Design & Research Institute of Building Materials Industry Company Limited	Limited liability company	RMB60,000,000	**–**	–	**48.78**	40.03	Production and sale of building materials
CNBMI Construction Company Limited	Limited liability company	RMB72,580,000	**–**	–	**48.78**	40.03	Provision and sale of engineering services
China Triumph International Engineering Company Limited (Note 43(b))	Limited liability company	RMB5000,000,000	**–**	91.00	**–**	–	Provision of engineering services
CNBM Investment Company Limited	Limited liability company	RMB3,000,000,000	**100.00**	100.00	**–**	–	Sale of lightweight building materials

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020, which are established and operated in the PRC, are as follows: *(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.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

As at 31 December 2021, 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	7,000,000	24 March 2022 – 13 November 2023
South Cement	8,400,000	24 April 2022 – 9 August 2026
Southwest Cement	6,500,000	17 June 2022 – 22 April 2026
Sinoma Science & Technology	2,800,000	23 January 2024 – 16 August 2024
BNBM	1,000,000	27 October 2024
Sinoma International	2,000,000	20 January 2022 – 10 September 2024

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 interests holding %: 62.17%)

	2021 ***RMB'000***	2020 *RMB'000* (restated)
Current assets	**9,173,797**	6,912,929
Non-current assets	**17,400,181**	16,064,555
Current liabilities	**(5,417,781)**	(4,921,067)
Non-current liabilities	**(1,630,104)**	(575,071)
Non-controlling interests	**(12,359,239)**	(11,166,024)
Equity attributable to owners of the Company	**(7,166,854)**	(6,315,322)
Revenue	**21,085,691**	16,848,096
Expenses	**(17,291,398)**	(13,822,424)
Profit for the year	**3,794,293**	3,025,672
Profit attributable to owners of the Company	**1,570,229**	1,082,514
Profit attributable to the non-controlling interests	**2,224,064**	1,943,158
Profit for the year	**3,794,293**	3,025,672
Other comprehensive expense attributable to owners of the Company	**(2,758)**	(2,033)
Other comprehensive expense attributable to the non-controlling interests	**(4,533)**	(3,342)
Other comprehensive expense for the year	**(7,291)**	(5,375)
Total comprehensive income attributable to owners of the Company	**1,567,471**	1,080,481
Total comprehensive income attributable to the non-controlling interests	**2,219,531**	1,939,816
Total comprehensive income for the year	**3,787,002**	3,020,297
Dividends paid to non-controlling interests	**587,282**	96,066
Net cash inflow from operating activities	**3,832,445**	1,834,931
Net cash outflow from investing activities	**(3,150,534)**	(1,076,757)
Net cash outflow from financing activities	**(712,724)**	(785,135)
Net cash outflow	**(30,813)**	(26,361)

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(ii) Sinoma International and its subsidiaries (Non-controlling interests holding %: 51.22% (2020: 59.77%))

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Current assets	**31,238,305**	29,228,529
Non-current assets	**10,239,494**	12,014,622
Current liabilities	**(24,859,525)**	(24,559,979)
Non-current liabilities	**(3,019,041)**	(2,747,314)
Non-controlling interests	**(7,240,718)**	(8,447,521)
Equity attributable to owners of the Company	**(6,358,515)**	(5,488,337)
Revenue	**36,242,086**	30,538,294
Expenses	**(34,209,237)**	(28,843,015)
Profit for the year	**2,032,849**	1,695,279
Profit attributable to owners of the Company	**812,475**	835,503
Profit attributable to the non-controlling interests	**1,220,374**	859,776
Profit for the year	**2,032,849**	1,695,279
Other comprehensive expense attributable to owners of the Company	**(28,985)**	(6,160)
Other comprehensive expense attributable to the non-controlling interests	**(59,153)**	(21,019)
Other comprehensive expense for the year	**(88,138)**	(27,179)
Total comprehensive income attributable to owners of the Company	**783,490**	829,343
Total comprehensive income attributable to the non-controlling interests	**1,161,221**	838,757
Total comprehensive income for the year	**1,944,711**	1,668,100
Dividends paid to non-controlling interests	**424,983**	316,368
Net cash inflow from operating activities	**2,213,599**	2,192,823
Net cash (outflow)/inflow from investing activities	**(672,369)**	241,592
Net cash outflow from financing activities	**(1,447,654)**	(785,743)
Net cash inflow	**93,576**	1,648,672

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

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

	2021	2020
	RMB'000	*RMB'000*
Current assets	**2,558,408**	2,424,965
Non-current assets	**9,373,665**	8,869,852
Current liabilities	**(1,774,839)**	(1,860,010)
Non-current liabilities	**(816,610)**	(603,570)
Non-controlling interests	**(8,768,692)**	(8,315,774)
Equity attributable to owners of the Company	**(571,932)**	(515,463)
Revenue	**7,672,538**	7,682,092
Expenses	**(6,656,086)**	(6,119,561)
Profit for the year	**1,016,452**	1,562,531
Profit attributable to owners of the Company	**56,111**	99,303
Profit attributable to the non-controlling interests	**960,341**	1,463,228
Profit for the year	**1,016,452**	1,562,531
Other comprehensive income attributable to owners of the Company	**26**	54
Other comprehensive income attributable to the non-controlling interests	**497**	1,417
Other comprehensive income for the year	**523**	1,471
Total comprehensive income attributable to owners of the Company	**56,137**	99,357
Total comprehensive income attributable to the non-controlling interests	**960,838**	1,464,645
Total comprehensive income for the year	**1,016,975**	1,564,002
Dividends paid to non-controlling interests	**426,208**	434,110
Net cash inflow from operating activities	**1,447,404**	2,277,047
Net cash outflow from investing activities	**(1,237,881)**	(682,474)
Net cash outflow from financing activities	**(604,504)**	(777,954)
Net cash (outflow)/inflow	**(394,981)**	816,619

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

(iv) Tianshan Cement and its subsidiaries (Non-controlling interests holding%: 12.3% (2020: 54.13%))

	2021	2020
	RMB'000	*RMB'000*
Current assets	**73,154,940**	67,039,384
Non-current assets	**211,904,834**	191,767,289
Current liabilities	**(140,116,331)**	(123,698,592)
Non-current liabilities	**(53,623,570)**	(41,531,403)
Non-controlling interests	**(24,714,126)**	(58,464,881)
Equity attributable to owners of the Company	**(66,605,747)**	(35,111,797)
Revenue	**169,978,539**	162,148,703
Expenses	**(155,056,302)**	(145,683,642)
Profit for the year	**14,922,237**	16,465,061
Profit attributable to owners of the Company	**11,328,544**	11,390,472
Profit attributable to the non-controlling interests	**3,593,693**	5,074,589
Profit for the year	**14,922,237**	16,465,061
Other comprehensive income attributable to owners of the Company	**33,739**	145,565
Other comprehensive income attributable to the non-controlling interests	**8,115**	22,364
Other comprehensive income for the year	**41,854**	167,929
Total comprehensive income attributable to owners of the Company	**11,362,283**	11,536,037
Total comprehensive income attributable to the non-controlling interests	**3,601,808**	5,096,953
Total comprehensive income for the year	**14,964,091**	16,632,990
Dividends paid to non-controlling interests	**2,967,263**	3,070,282
Net cash inflow from operating activities	**28,425,110**	39,144,651
Net cash outflow from investing activities	**(19,312,546)**	(13,460,310)
Net cash outflow from financing activities	**(9,626,242)**	(21,959,708)
Net cash (outflow)/inflow	**(513,678)**	3,724,633

21 INTERESTS IN ASSOCIATES

	2021	2020
	RMB'000	*RMB'000*
Cost of investments in associates		
– listed in the PRC	**1,495,189**	1,495,189
– listed in Hong Kong	**740,095**	685,814
– unlisted	**10,709,515**	6,731,179
Share of post-acquisition profit, net of dividend received	**13,925,911**	10,401,384
	26,870,710	19,313,566
Fair value of listed investments (Note)	**21,544,957**	23,096,441
Share of results of associates	**4,023,181**	3,272,981

Note: The fair value of the listed investments is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

As at 31 December 2021, the cost of investments in associates included goodwill of associates of approximately RMB1,548.17 million (2020: approximately RMB610.67 million).

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the associates of the Group as at 31 December 2021, which in the opinion of the directors are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of associate	Principal place of business	Nominal value of registered capital	Voting right/ Attributable direct equity interest to the Group 2021 %	2020 %	Principal activities
China Jushi Co., Ltd. ("China Jushi") (Note (i))	the PRC	RMB2,918,840,920	**26.97**	26.97	Production of glass fiber
Shandong Quan Xing China United Cement Company Limited ("Shandong Quan Xing")	the PRC	RMB2,000,000,000	**49.00**	49.00	Sales of production of cement
Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") (Note (ii))	the PRC	RMB1,000,000,000	**50.00**	50.00	Production of cement
Shanghai Yaohua Pikington Gloass Group Co., Ltd. ("Shanghai Yaohua") (Note (iii))	the PRC	RMB934,916,069	**12.74**	12.74	Production of glass fiber
Gansu Shangfeng Cement Co., Ltd. ("Gansu Shangfeng") (Notes (iv) & (v))	the PRC	RMB813,619,871	**14.40**	14.40	Production of cement
China Shanshui Cement Group Limited ("Shanshui Cement") (Notes (vi) & (vii))	the PRC	USD100,000,000	**12.94**	12.94	Production of cement
(CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd ("Bengbu Institute") (Note (viii))	the PRC	RMB3,715,904,078	**45.08**	–	Provision and sale of engineering services

Notes:

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

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

(iii) Shanghai Yaohua was considered as an associate of the Group because China Composite has virtue of the contractual right to appoint 1 out of the 4 directors to the board of directors of that Company.

(iv) Gansu Shangfang is a joint stock company listed on the Shenzhen stock Exchange.

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

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

(vii) Shanshui Cement was considered as an associate of the Group because China Building Material Holdings Co., Limited has virtue of its contractual right to appoint 1 out of 5 directors to the board of directors of that Company.

(viii) On 8 December 2021, the Company entered into a subscription agreement with Bengbu Institute, China Triumph and Bengbu Huajin Technology Development Co., Ltd. ("Bengbu Huajin") pursuant to which the Company and Bengbu Huajin will respectively subscribe to 45.08% and 4.45% of the registered capital in Bengbu Institute by transferring 91% and 9% equity interests in China Triumph held by the Company and Bengbu Huajin to Bengbu Institute. The transaction was completed on 31 December 2021 and Bengbu Institute became associate of the Group since then.

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

	2021	2020
	RMB'000	*RMB'000*
Current assets	**14,063,722**	11,102,192
Non-current assets	**29,764,595**	25,635,077
Current liabilities	**(13,883,989)**	(11,545,910)
Non-current liabilities	**(6,423,023)**	(6,845,159)
Non-controlling interests	**(953,741)**	(909,613)
Revenue	**19,706,882**	11,666,197
Profit for the year	**6,028,474**	2,409,764
Other comprehensive expense for the year	**(82,644)**	(305,208)
Total comprehensive income for the year	**5,945,830**	2,104,556
Dividends received from the associate during the year	**211,602**	182,318

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:

	2021 ***RMB'000***	2020 *RMB'000*
Net assets of the associate	**23,521,305**	18,346,200
Non-controlling interests of the associate	**(953,741)**	(909,613)
	22,567,564	17,436,587
Proportion of the Group's ownership interest in China Jushi	**26.97%**	26.97%
Group's share of net assets of the associate	**6,086,472**	4,702,648
Goodwill	**18,693**	18,693
Carrying amount of the Group's interest in China Jushi	**6,105,165**	4,721,341

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(ii) Shangdong Quan Xing

	2021	2020
	RMB'000	*RMB'000*
Current assets	**4,795,633**	2,675,030
Non-current assets	**3,868,348**	3,500,309
Current liabilities	**(3,594,212)**	(2,445,673)
Non-current liabilities	**(261,064)**	(460,935)
Non-controlling interests	**(595,506)**	(351,419)
Revenue	**3,725,934**	3,406,390
Profit for the year	**570,246**	890,140
Total comprehensive income for the year	**570,246**	890,140
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:

	2021	2020
	RMB'000	*RMB'000*
Net assets of the associate	**4,808,705**	3,268,731
Non-controlling interests of the associate	**(595,506)**	(351,419)
	4,213,199	2,917,312
Proportion of the Group's ownership interest in Shangdong Quan Xing	**49%**	49%
Group's share of net assets of the associate	**2,064,468**	1,429,483
Carrying amount of the Group's interest in Shangdong Quan Xing	**2,064,468**	1,429,483

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iii) Nanfang Wannianqing

	2021 ***RMB'000***	2020 *RMB'000*
Current assets	**4,787,419**	3,604,138
Non-current assets	**3,561,064**	3,250,013
Current liabilities	**(1,975,513)**	(1,440,747)
Non-current liabilities	**(151,392)**	(137,122)
Non-controlling interests	**(941,904)**	(891,711)
Revenue	**10,223,945**	6,655,555
Profit for the year	**1,420,674**	1,436,963
Other comprehensive income for the year	**7,962**	707
Total comprehensive income for the year	**1,428,636**	1,437,670
Dividends received from the associate during the year	**100,000**	250,000

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iii) Nanfang Wannianqing *(Continued)*

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

	2021 *RMB'000*	2020 *RMB'000*
Net assets of the associate	**6,239,578**	5,276,282
Non-controlling interests of the associate	**(941,904)**	(891,711)
	5,297,674	4,384,571
Proportion of the Group's ownership interest in Nanfang Wannianqing	**50%**	50%
Group's share of net assets of the associate	**2,648,837**	2,192,286
Carrying amount of the Group's interest in Nanfang Wannianqing	**2,648,837**	2,192,286

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iv) Bengbu Institute

	2021 *RMB'000*
Current assets	**29,678,328**
Non-current assets	**14,656,910**
Current liabilities	**(32,110,836)**
Non-current liabilities	**(7,147,809)**
Non-controlling interests	**(427,275)**
Revenue	**16,892,036**
Profit for the year	**350,679**
Other comprehensive income for the year	**214,868**
Total comprehensive income for the year	**565,547**
Dividends received from the associate during the year	**–**

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(iv) Bengbu Institute *(continued)*

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

	2021 ***RMB'000***
Net assets of the associate	**5,076,593**
Non-controlling interests of the associate	**(427,275)**
	4,649,318
Proportion of the Group's ownership interest in Bengbu Institute	**45.08%**
Group's share of net assets of the associate	**2,095,913**
Goodwill	**937,497**
Carrying amount of the Group's interest in Bengbu Institute	**3,033,410**

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

	2021 ***RMB'000***	2020 *RMB'000*
The Group's share of results from continuing operations	**1,407,545**	1,468,418
The Group's share of other comprehensive income	**64,793**	32,078
The Group's share of total comprehensive income	**1,472,338**	1,500,496
Aggregate carrying amount of the Group's interests in these associates	**13,018,830**	10,976,456

22 INTERESTS IN JOINT VENTURES

	2021 **RMB'000**	2020 RMB'000
Cost of investments in joint ventures		
– unlisted	**142,553**	103,854
Share of post-acquisition losses, net of dividend received	**(11,205)**	(5,836)
	131,348	98,018
Share of results of joint ventures	**(4,320)**	1,354

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

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:

	2021 **RMB'000**	2020 RMB'000
The Group's share of results from continuing operations	**(4,320)**	1,354
The Group's share of other comprehensive expenses	**(1,050)**	(487)
The Group's share of total comprehensive (expense)/income	**(5,370)**	867
Aggregate carrying amount of the Group's interests in these joint venture	**131,348**	98,018

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Financial assets at fair value through profit or loss:		
– Equity shares listed outside Hong Kong	**3,112,267**	3,255,237
– Equity shares listed in Hong Kong	**1,896,101**	1,938,074
– Structured deposits (Note)	**3,537,028**	2,231,628
– Unlisted equity shares	**2,238,755**	1,271,170
	10,784,151	8,696,109

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Analysed for reporting purposes:		
Non-current portion	**2,524,452**	2,529,357
Current portion	**8,259,699**	6,166,752
	10,784,151	8,696,109

Note: During the years ended 31 December 2021 and 2020, the Group entered into certain investments with certain financial institutions. The investment based on respective contracts have maturity dates within 3 months.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	RMB'000	*RMB'000*
Equity shares listed in Hong Kong	**–**	7,526

Note: The above listed equity investments represent the Group's equity interest in a public entity established in the PRC and 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 (2020: RMBnil).

25 DEPOSITS

	2021	2020
	RMB'000	*RMB'000*
Investment deposits for acquisition of subsidiaries	**529,048**	148,396
Investment deposits for acquisition of associates	**29,484**	–
Deposits paid to acquire property, plant and equipment	**1,602,230**	3,239,521
Deposits paid to acquire intangible assets	**1,342,628**	305,850
Deposits paid to acquire right-of-use assets	**486,882**	381,740
	3,990,272	4,075,507

26 INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Raw materials	**8,633,712**	9,425,970
Work-in-progress	**4,853,321**	4,240,075
Finished goods	**7,542,288**	6,469,134
Consumables	**169,740**	173,560
	21,199,061	20,308,739

27 TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000 (restated)
Trade receivables, net of allowance for credit losses (Note (a))	**49,469,459**	48,809,545
Bills receivable (Note (b))	**18,860,965**	20,812,576
Contract assets (Note 29)	**3,649,599**	11,507,527
Other receivables, deposits and prepayments	**18,627,468**	23,913,501
	90,607,491	105,043,149

	2021 RMB'000	2020 RMB'000 (restated)
Analysed for reporting purposes:		
Non-current portion	**3,604,945**	11,930,475
Current portion	**87,002,546**	93,112,674
	90,607,491	105,043,149

Notes:

(a) As at 1 January 2020, trade receivables from contracts with customers amounted to RMB45,614.59 million (restated). The Group normally allowed an average of credit period of 60–180 days to its trade customers, except for customers of engineering services segment, the credit periods 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:

	2021 RMB'000	2020 RMB'000 (restated)
Within two months	**9,099,460**	10,396,607
More than two months but within one year	**28,292,532**	25,659,988
Between one and two years	**8,874,733**	8,709,249
Between two and three years	**2,069,393**	2,534,121
Over three years	**1,133,341**	1,509,580
	49,469,459	48,809,545

(b) The bills receivable are aged within six months.

27 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
RMB	**85,008,469**	98,737,816
EUR	**3,805,322**	4,923,560
USD	**1,196,154**	1,099,430
HKD	**58,976**	60,710
Others	**538,570**	221,633
	90,607,491	105,043,149

(d) As at 31 December 2021, approximately RMB25.36 million (2020: approximately RMB61.13 million) of the trade receivables and approximately RMB1,561.65 million (2020: approximately RMB1,263.18 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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**900,836**	760,580
– Associates	**232,840**	341,060
– Joint ventures	**193**	1,250
– Non-controlling interests of subsidiaries	**58,755**	69,019
	1,192,624	1,171,909
Non-trading in nature:		
– Fellow subsidiaries	**249,950**	257,265
– Associates	**292,571**	199,948
– Joint ventures	**21,558**	73
– Immediate holding company	**2**	96
– Non-controlling interests of subsidiaries	**441,970**	215,509
	1,006,051	672,891
	2,198,675	1,844,800
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**830,836**	1,759,467
– Associates	**185,090**	55,780
– Joint ventures	**787**	1,520
– Immediate holding company	**–**	10
– Non-controlling interests of subsidiaries	**58,417**	39,530
	1,075,130	1,856,307
Non-trading in nature:		
– Fellow subsidiaries	**2,419,389**	2,215,761
– Associates	**70,661**	22,819
– Joint ventures	**103**	–
– Immediate holding company	**713,894**	136,688
– Non-controlling interests of subsidiaries	**554,883**	516,828
	3,758,930	2,892,096
	4,834,060	4,748,403

28 AMOUNTS DUE FROM/(TO) RELATED PARTIES *(CONTINUED)*

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 2021, amounts due from related parties of approximately RMB98.90 million (2020: approximately RMB242.54 million) carry the fixed interest rate of 4.35% (2020: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2021, amounts due to related parties of approximately RMB544.95 million (2020: approximately RMB2,387.89 million) carry the fixed interest rate of 5.20% (2020: 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

	2021 ***RMB'000***	2020 *RMB'000*
Arising from performance under construction contracts, included in trade and other receivables (Note 27)	**3,328,344**	11,069,610
Retention receivables, included in trade and other receivables (Note 27)	**321,255**	437,917
	3,649,599	11,507,527

As at 1 January 2020, contract assets amounted to RMB10,582.97 million.

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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Billings in advance of performance from construction contracts, included in trade and other payables (Note 32)	**4,814,189**	5,222,128
Advance from customers, included in trade and other payables (Note 32)	**7,503,755**	10,055,433
	12,317,944	15,277,561

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:	*RMB'000*
At 1 January 2020	
As previously reported	15,576,126
Business combination under common control	26,723
As restated	15,602,849
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, as restated	(15,602,849)
Increase in contract liabilities as a result of billing in advance of project contract work and advance from customers, as restated	15,277,561
At 31 December 2020, as restated	15,277,561
At 1 January 2021	
As previously reported	**15,250,793**
Business combination under common control	**26,768**
As restated	**15,277,561**
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	**(15,277,561)**
Increase in contract liabilities as a result of billing in advance of project contract work and advance from customers	**12,317,944**
At 31 December 2021	**12,317,944**

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:

	2021	2020
	RMB'000	*RMB'000*
		(restated)
USD	**3,181,593**	2,798,027
HKD	**245,372**	123,699
EUR	**506,731**	811,622
IDR	**236,370**	65,236
NGN	**451,129**	237,326
XOF	**4,302**	75,215
RUB	**35,598**	106,330
Others	**569,261**	407,868
	5,230,356	4,625,323

As at 31 December 2021, the Group pledged approximately RMB3,780.94 million (2020: approximately RMB4,995.82 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% (2020: 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. During the year ended 31 December 2021, all of the above mentioned assets were delivered.

During 2020, the Group has also resolved to dispose some of its assets to some interested parties. The related asssets are expected to be sold within twelve months and have been classified as held-for-sale. The disposal has been completed during the year ended 31 December 2021.

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

	2021 ***RMB'000***	2020 *RMB'000*
Property, plant and equipment	–	183,076
Right-of-use assets	–	12,767
Total assets classified as held-for-sale	–	195,843

32 TRADE AND OTHER PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Within two months	**10,160,464**	9,541,867
More than two months but within one year	**23,833,426**	24,477,807
Between one and two years	**2,725,551**	4,165,161
Between two and three years	**1,259,834**	1,276,167
Over three years	**2,079,394**	2,202,195
Trade payables	**40,058,669**	41,663,197
Bills payable	**18,684,321**	16,071,950
Contract liabilities (Note 29)	**12,317,944**	15,277,561
Other payables	**27,479,027**	25,200,468
	98,539,961	98,213,176

The credit period on purchase of goods and services provided from Supplier is 90 to 365 days.

Bills payable are aged within six months.

33 BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Bank borrowings:		
– Secured	**4,641,385**	4,779,835
– Unsecured	**102,507,449**	111,002,041
	107,148,834	115,781,876
Bonds	**57,988,000**	57,751,790
Borrowings from other financial institutions	**1,706,671**	1,536,246
	166,843,505	175,069,912

	2021	2020
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current	**93,092,947**	85,629,115
Current	**73,750,558**	89,440,797
	166,843,505	175,069,912

33 BORROWINGS *(CONTINUED)*

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

	2021	2020
	RMB'000	*RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**19,410,803**	30,201,468
Between one and two years	**8,659,289**	2,521,443
Between two and three years	**5,551,968**	10,974,361
Between three and four years	**91,312**	2,660,327
Between four and five years	**698,810**	446,424
More than five years	**3,499,054**	545,780
	37,911,236	47,349,803
Variable rate bank borrowings repayable:		
Within one year	**31,087,679**	37,527,362
Between one and two years	**20,901,335**	10,488,715
Between two and three years	**9,686,622**	13,774,213
Between three and four years	**1,994,126**	399,975
Between four and five years	**1,223,897**	3,287,152
More than five years	**4,343,939**	2,954,656
	69,237,598	68,432,073
Bonds and other borrowings repayable:		
Within one year	**23,252,485**	21,955,465
Between one and two years	**9,323,015**	16,812,588
Between two and three years	**16,067,277**	11,936,502
Between three and four years	**3,317,670**	1,832,642
Between four and five years	**4,691,633**	3,713,922
More than five years	**3,042,591**	3,036,917
	59,694,671	59,288,036
	166,843,505	175,069,912

33 BORROWINGS *(CONTINUED)*

As at 31 December 2021, the Group's variable rate bank borrowings of approximately RMB1,668.82 million and RMB2,970.47 million are carrying interest at LIBOR plus a premium and HIBOR plus a premium respectively.

	2021	2020
	RMB'000	*RMB'000*
Effective interest rate per annum:		
Fixed rate borrowings	**1.00% to 5.00%**	1.00% to 5.22%
Variable rate borrowings	**1.00% to 5.44%**	1.00% to 5.22%

As at 31 December 2021, bank borrowings of approximately RMB48,651.31 million (2020: approximately RMB57,736.93 million) were guaranteed by independent third parties.

The borrowings denominated in EUR, USD, AUD, INR and HKD of approximately RMB1,798.95 million, RMB801.00 million, RMB2.98 million, RMB0.59 million and RMB2,790.47 million respectively (2020: approximately RMB4,645.88 million, RMB1,309.69 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 RMB4,641.38 million (2020: approximately RMB4,779.84 million) are secured by the following assets of the Group:

	2021	2020
	RMB'000	*RMB'000*
Property, plant and equipment (Note 15)	**1,441,451**	1,964,973
Right-of-use assets (Note 16)	**152,879**	242,434
Cash and cash equivalents (Note 30)	**3,780,941**	4,995,816
Trade receivables (Note 27)	**25,364**	61,131
Bills receivable (Note 27)	**1,561,646**	1,263,183
	6,962,281	8,527,537

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 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*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2020								
As previously reported	(562,954)	(1,137,749)	(353,301)	1,685,575	1,554,125	1,776,228	620,581	3,582,505
Business combination under common control (Note 45)	–	–	–	505	–	–	14	519
As at 1 Janunary 2020, as restated	(562,954)	(1,137,749)	(353,301)	1,686,080	1,554,125	1,776,228	620,595	3,583,024
Arising from acquisition of subsidiaries (Note 43(a))	13,794	(62,307)	–	1,788	575	–	(36,753)	(82,903)
Arising from disposal of subsidiaries, as restated (Note 43(b))	47,280	–	–	(16,202)	(7,273)	–	18,664	42,469
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	101,600	85,659	–	403,813	893,674	(842,315)	43,422	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 and 1 January 2021	**(400,280)**	**(1,114,397)**	**(353,301)**	**2,075,807**	**2,441,105**	**935,960**	**646,657**	**4,231,551**
Arising from acquisition of subsidiaries (Note 43(a))	**(322,103)**	**(311,040)**	**-**	**19,409**	**1,797**	**6,970**	**(97,937)**	**(702,904)**
Arising from disposal of subsidiaries (Note 43(b))	**31,338**	**237**	**-**	**(214,664)**	**(2,686)**	**(133)**	**19,401**	**(166,507)**
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	**58,752**	**97,237**	**-**	**4,812**	**76,312**	**(342,379)**	**109,045**	**3,779**
Credit/(charge) to the consolidated other comprehensive income (Note 12(b))	**-**	**-**	**-**	**-**	**-**	**-**	**(1,817)**	**(1,817)**
Exchange realignment	**(27,969)**	**(17,703)**	**-**	**19,545**	**109**	**133**	**1,571**	**(24,314)**
As at 31 December 2021	**(660,262)**	**(1,345,666)**	**(353,301)**	**1,904,909**	**2,516,637**	**600,551**	**676,920**	**3,339,788**

34 DEFERRED INCOME TAX *(CONTINUED)*

	2021	2020
	RMB'000	*RMB'000*
For presentation purpose:		
Deferred income tax assets	**6,294,168**	6,565,399
Deferred income tax liabilities	**(2,954,380)**	(2,333,848)
	3,339,788	4,231,551

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:

	2021	2020
	RMB'000	*RMB'000*
Unused tax losses expiring in:		
2021	**–**	2,707,349
2022	**4,173,485**	4,688,328
2023	**3,536,351**	5,597,632
2024	**3,694,936**	5,407,943
2025	**4,943,116**	6,918,963
2026	**5,203,776**	–
	21,551,664	25,320,215

35 LEASE LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**432,754**	633,246
More than one year but less than two years	**304,578**	360,699
More than two years but less than five years	**815,478**	577,389
More than five years	**1,414,571**	1,759,326
	2,967,381	3,330,660
Less: Amount due for settlement within 12 months shown under current liabilities	**(432,754)**	(633,246)
Amount due for settlement after 12 months shown under non-current liabilities	**2,534,627**	2,697,414

36 FINANCIAL GUARANTEE CONTRACTS

	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**64,000**	64,000
Settlement during the year	**(64,000)**	–
As at 31 December	**–**	64,000

Subsidiaries had guaranteed bank borrowings of former related parties which are independent to the Group. During the year ended 31 December 2021, the subsidiaries had paid the guaranteed amount of RMB64.00 million to the lender.

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 valuation report dated 29 January 2022 for the present value of the defined benefit obligation as at 31 December 2021 was issued by Mr. Liang Yonghua, partner of Ernst & Young (China) Advisory Limited and a fellow of the Society of Actuaries and Mr. Huang Renjie, director of Ernst & Toung (China) Advisory Limited and a fellow of Institute and Faculty 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:

	2021	2020
Discount rate	**2.80%**	3.30%
Benefit increase rates	**From 1% to 6%**	From 1% to 6%
Mortality for current early retiree		
– Male	**2.29%**	0.26%
– Female	**0.13%**	0.12%
Mortality for current retiree		
– Male	**1.25%**	1.09%
– Female	**0.76%**	0.67%

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 (2020: RMBnil) and that the actuarial value of these assets represented 0% (2020: 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:

	2021	2020
	RMB'000	*RMB'000*
Service cost:		
– Current service cost	**28,986**	(2,147)
– Past service cost and (gains)/losses from settlements	**(3,479)**	9,486
Net interest expenses	**6,461**	7,152
Components of defined benefit cost recognised in profit or loss	**31,968**	14,491
Remeasurement of net defined benefit liabilities:		
Actuarial losses/(gains) recognised for the year	**3,122**	(620)
Components of defined benefit cost recognised in other comprehensive income	**3,122**	(620)
Total	**35,090**	13,871

The net interest expenses of approximately RMB6.46 million (2020: RMB7.15 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:

	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**242,442**	255,253
Interest cost	**6,461**	7,152
Remeasurements:		
– Adjustments for restrictions on the defined benefit asset	**28,986**	(2,147)
– Actuarial losses/(gains) recognised for the year	**3,122**	(620)
– Past service cost, including losses on curtailments	**(3,479)**	9,486
Benefits paid	**(27,108)**	(26,682)
As at 31 December	**250,424**	242,442

	2021	2020
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current portion	**217,027**	240,878
Current portion	**33,397**	1,564
	250,424	242,442

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes other respective assumptions occurring at the end other reporting period, while holding all other assumptions constant.

37 EMPLOYEE BENEFITS PAYABLE *(CONTINUED)*

– If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by RMB9.77 million (increase by RMB9.77 million) (2020: decrease by RMB10.29 million (increase by RMB10.29 million)).

– If the benefits increase rates increase (decrease) by 0.5%, the defined benefit obligation would increase by RMB10.15 million (decrease by RMB10.15 million) (2020: increase by RMB10.36 million (decrease by RMB10.36 million)).

– If the mortality changes to 95% of original assumption, the defined benefit obligation would increase by RMB3.22 million (decrease by RMB3.22 million) (2020: 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 (2020: 10.2 years).

The Group expects to make a contribution of RMB68.44 million (2020: RMB67.99 million) to the defined benefit plan during the next financial year.

38 DERIVATIVE FINANCIAL INSTRUMENTS

	2021	2020
	RMB'000	*RMB'000*
Derivative financial assets		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**16,578**	16,148
Derivative financial liabilities		
Held for trading derivatives that are not designated in hedge accounting relationships:		
– Foreign currency forward contracts	**248**	20
Derivatives that are designated and effective as hedging instruments carried at fair value:		
– Interest rate swaps	**7,186**	19,318
	7,434	19,338

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

31 December 2021

Notional amounts	**Maturities**	**Exchange rates**
Sell USD 3,000,000	7 February 2022	RMB6.4900: USD 1
Sell USD 3,000,000	6 April 2022	RMB6.5200: USD 1
Sell USD 3,000,000	6 April 2022	RMB6.5400: USD 1
Sell USD 3,000,000	7 February 2022	RMB6.5500: USD 1
Sell USD 3,000,000	2 June 2022	RMB6.6200: USD 1
Sell USD 3,000,000	2 June 2022	RMB6.6200: USD 1
Sell USD 3,000,000	21 February 2022	RMB6.5900: USD 1
Sell USD 3,000,000	16 May 2022	RMB6.5600: USD 1
Sell USD 3,000,000	22 March 2022	RMB6.4700: USD 1
Sell USD 3,000,000	10 March 2022	RMB6.4100: USD 1

38 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Major terms of interest rate swaps are as follow:

31 December 2021

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 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%

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)*

During the year ended 31 December 2021, all of the options under the Equity Incentive Plan were exercised, forfeited, expired or cancelled. 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 11,180,289, representing 0.62% 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 2021 and 2020 are as follows:

Category of participants	Date of grant	Exercise period	Exercise price per Sinoma International Share *RMB*	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Cancelled during the year *(Note)*	Outstanding at 31 December 2021
Directors and employees (455 in total) of Sinoma International and its subsidiaries	7 December 2017	From 7 December 2020 to 6 December 2021	8.837	5,590,145	–	(4,951,410)	(171,734)	(467,001)	–	–
		From 7 December 2021 to 6 December 2022	8.837	5,590,144	–	–	(171,602)	–	(5,418,542)	–
Exercisable at the end of the year				11,180,289	–	(4,951,410)	(343,336)	(467,001)	(5,418,542)	–
Weighted average exercise price (RMB)										

Note: During the year ended 31 December 2021, the directors of Sinoma International considered certain performance conditions were not achieved, 5,418,542 unit of the share options were cancelled.

39 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

Details of the terms and movements of the share options granted pursuant to the Equity Incentive Plan for the years ended 31 December 2021 and 2020 are as follows: (continued)

Category of participants	Date of grant	Exercise period	Exercise price per Sinoma International Share *RMB*	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2020
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 (RMB)									8.837

These fair values of share optics granted on 7 December 2017 were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Exercise price	RMB9.27
Expected volatility	24.93%
Expected life	4 years
Risk-free rate	3.54%
Expected dividend yield	0%

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.

Due to cancellation of share option, no expense was recognised for the year ended 31 December 2021. The Group recognised the total expense of RMB5.52 million in relation to share options granted by Sinoma International for the year ended 31 December 2020.

39 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

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.

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.

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 2020, 31 December 2020, 1 January 2021	4,454,898,633	4,454,899	3,868,697,794	3,868,698	111,174,235	111,174	8,434,771
Conversion of shares (Note (d))	(578,274,471)	(578,275)	689,448,706	689,449	(111,174,235)	(111,174)	–
As at 31 December 2021	3,876,624,162	3,876,624	4,558,146,500	4,558,147	–	–	8,434,771

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares listed in the Hong Kong Stock Exchange subscribed for, traded in and credited as fully paid up in HKD by persons other than PRC government and/or PRC incorporated entities only.

(c) Unlisted Foreign Shares are non-overseas listed ordinary shares subscribed for and credited as fully paid up in foreign currency by persons other than PRC government and/or PRC incorporated entities only.

(d) During the year ended 31 December 2021, the Company obtained approval from China Securities Regulatory Commission and Listing Committee of the Stock Exchange in respect of the conversion of 578,274,471 of domestic shares and 111,174,235 of unlisted foreign shares into H shares (the "Conversion of shares"). The Conversion of shares was completed on 9 August 2021.

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 represents cumulative gains and losses arising from revaluation of equity instruments at fair value through other comprehensive income that have been recognised in other comprehensive income. Gains and losses arising from revaluation of equity instruments at fair value through other comprehensive income will not be reclassified to profit or loss in subsequent periods.

(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 from changes in fair value of the hedging instrument that are recognised and accumulated under the heading of hedging reserve will be reclassified to profit or loss when the hedged transaction affects the profit or loss or when the hedged forecast transaction is no longer expected to occur. When the hedged forecast transaction results in the recognition of a non-financial item, the cumulative gain or loss is included in the initial measurement of the cost of such item.

41 RESERVES *(CONTINUED)*

(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 notes 3.10.

42 PERPETUAL CAPITAL INSTRUMENTS

	Principal	**Distribution/ appropriation**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
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
Balance as at 1 January 2021	**18,333,816**	**303,361**	**18,637,177**
Issuance of perpetual capital instruments	**4,000,000**	**–**	**4,000,000**
Redemption of perpetual capital instruments	**(5,788,121)**	**–**	**(5,788,121)**
Profit attributable to holders of perpetual capital instruments	**–**	**794,707**	**794,707**
Distributions made to holders of perpetual capital instruments	**–**	**(834,621)**	**(834,621)**
Balance as at 31 December 2021	**16,545,695**	**263,447**	**16,809,142**

42 PERPETUAL CAPITAL INSTRUMENTS *(CONTINUED)*

During the year ended 31 December 2021, the Company issued the perpetual interest-bearing debentures in an aggregate principal amounts of RMB4 million with coupon rates ranging from 3.33% to 3.52%. The net proceeds after deducting the issuance cost amounted to approximately RMB4,000.00 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 two to three years from the third to fourth interest-bearing year onwards.

Interest payment of RMB834.62 million (2020: RMB998.46 million) has been paid by the Group to the holders of the above-mentioned perpetual capital instruments for the year ended 31 December 2021.

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2021, the Group acquired 31 (2020: 14) subsidiaries and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the production and sale of cement, concrete and new materials.

These acquisitions have been accounted for using the acquisition method.

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

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

	2021	2020
	RMB'000	*RMB'000*
Net assets acquired:		
Property, plant and equipment (Note 15)	**4,735,705**	2,215,655
Right-of-use assets (Note 16)	**1,238,292**	181,150
Intangible assets (Note 19)	**1,356,241**	927,781
Interests in associates	**21,000**	–
Deferred income tax assets (Note 34)	**76,680**	4,103
Inventories	**533,658**	92,198
Trade and other receivables	**998,922**	714,747
Amounts due from the related parties	**1,368,518**	24,038
Pledged bank deposits	**147,936**	–
Cash and cash equivalents	**307,006**	191,820
Trade and other payables	**(1,980,284)**	(1,630,516)
Current income tax liabilities	**(144,453)**	(3,383)
Dividend payable to non-controlling interests	–	(2,259)
Amounts due to the related parties	**(53,991)**	(97)
Borrowings	**(970,085)**	(71,177)
Lease liabilities	**(298)**	–
Deferred income	**(29,032)**	(25,212)
Deferred income tax liabilities (Note 34)	**(779,584)**	(87,006)
Net assets	**6,826,231**	2,531,842
Non-controlling interests	**(3,149,587)**	(773,004)
Discount on acquisition of interests in subsidiaries (Note 8)	**(17,709)**	(5,529)
Goodwill (Note 18)	**2,117,973**	254,210
Total consideration	**5,776,908**	2,007,519

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

	2021	2020
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**1,266,166**	1,524,723
Other payables	**1,193,816**	378,469
Additional interests to non-controlling interests	**526,442**	–
Partial interests of the Group's subsidiaries	**2,790,484**	–
Transferred from prepayment	**–**	104,327
	5,776,908	2,007,519
Net cash outflow arising on acquisition:		
Cash consideration paid	**(1,266,166)**	(1,524,723)
Less: Cash and cash equivalents acquired	**307,006**	191,820
	(959,160)	(1,332,903)

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.

The receivables acquired (which principally comprised trade and other receivables, amounts due from the related parties, pledged bank deposits and cash and cash equivalents) with a fair value of approximately RMB2,822.38 million at the date of acquisition had gross contractual amounts of approximately RMB3,005.54 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB183.16 million.

The non-controlling interests recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of acquired subsidiaries and amounted to approximately RMB5,149.58 million.

Included in the revenue and profit for the year are approximately RMB1,469.53 million and RMB144.78 million respectively attributable to the additional business mainly generated by these newly acquired companies.

Had these business combinations been effected at 1 January 2021, the revenue of the Group would be approximately RMB2,384.38 million and profit for the year of the Group would be approximately RMB74.07 million. The management considers these 'pro-forma' an approximate measure of the performance of the combined group on an recognised basis and reference point for comparison in future periods.

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

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

Henan China United Tongli material Co., Ltd. ("河南中聯同力材料水泥有限公司") ("Henan China United")

On 24 May 2021, China United Cement Corporation ("China United Cement", a wholly owned subsidiary of the Company) and Henan Investment Group entered into the Amended and Restated Cooperation Agreement, whereby China United Cement will, by 3 means to contribute RMB6,000 million in total (representing 60% of the registered capital of Henan China United) to the registered capital of a newly established company, Henan China United Tongli material Co., Ltd. ("Henan China United"): (i) by injecting the 100% equity interests of certain subsidiaries; (ii) by taking up approximately RMB1,087,937,000 borrowings of a subsidiary of Henan Investment Group; and (iii) by paying cash contribution of approximately RMB1,316 million.

On the other hand, Henan Investment Group will, by injecting the 100% equity interests in certain subsidiaries, to contribute RMB4,000 million (representing 40% of the registered capital of Henan China United) to the registered capital of Henan China United.

The fair value of the abovementioned contributions in exceed of the respective registered capital contribution subscribed by each party, will be recognised in Henan China United's capital reserve.

From the Group's perspective, this is effectively an acquisition of companies injected by Henan Investment Group to Henan China United.

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)*

Net assets acquired in the transactions are as follows:

	2021 Fair value ***RMB'000***
Net assets acquired:	
Property, plant and equipment	**4,143,320**
Right-of-use assets	**1,076,962**
Intangible assets	**1,119,204**
Investments in associates	**21,000**
Deferred income tax assets	**69,095**
Inventories	**436,431**
Trade and other receivables	**771,885**
Amounts due from the related parties	**1,275,591**
Pledged bank deposits	**69,820**
Cash and cash equivalents	**88,939**
Trade and other payables	**(1,718,785)**
Current income tax liabilities	**(41,508)**
Amounts due to the related parties	**(55,856)**
Borrowings	**(882,903)**
Lease liabilities	**(298)**
Deferred income	**(28,001)**
Deferred income tax liabilities	**(668,897)**
Net assets	**5,675,999**
Non-controlling interests	**(3,007,265)**
Goodwill	**1,736,129**
Total consideration	**4,404,863**
Total consideration satisfied by:	
Other payables	**1,087,937**
Additional interests to non-controlling interests through cash injection	**526,442**
Partial interests of the Group's subsidiaries	**2,790,484**
	4,404,863
Net cash inflow arising on acquisition:	
Cash consideration paid	**–**
Less: Cash and cash equivalents acquired	**88,939**
	88,939

Included in the revenue and profit for the year are approximately RMB850.20 million and RMB50.32 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 2021, the Group disposed its equity interest in 40 (2020 (restated): 5) subsidiaries to third parties. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Net assets disposed of:		
Property, plant and equipment (Note 15)	**3,695,715**	1,240,033
Right-of-use assets	**396,629**	141,618
Goodwill (Note 18)	**62**	215,280
Intangible assets (Note 19)	**574,123**	133,628
Interest in associates	**42,193**	–
Financial assets at fair value through other comprehensive income	**531,406**	–
Financial assets at fair value through profit and loss	**115,936**	–
Deposits	**196,451**	–
Deferred income tax assets (Note 34)	**238,474**	17,775
Inventory	**1,502,484**	88,981
Trade and other receivables	**29,220,170**	122,056
Amounts due from related parties	**1,815,789**	236,380
Pledged bank deposits	**1,588,682**	–
Cash and cash equivalents	**657,288**	60,921
Trade and other payables	**(18,797,673)**	(1,073,690)
Current income tax liabilities	**(62,226)**	(91,124)
Dividend payable to non-controlling interests	**(192,043)**	–
Amounts due to related parties	**(1,025,823)**	(54,956)
Borrowings	**(14,685,694)**	–
Deferred income	**(17,912)**	(4,744)
Lease liabilities	**(33,325)**	–
Deferred income tax liabilities (Note 34)	**(71,967)**	(60,244)
Non-controlling interests	**(1,281,171)**	(542)
Net assets disposal of	**4,407,568**	971,372

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(Continued)*

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Consideration received:		
Cash received	**2,001,372**	684,202
Deferred cash consideration	–	25,576
	2,001,372	709,778
Gain on disposal of subsidiaries:		
Consideration received and receivable	**2,001,372**	709,778
Net assets disposed of	**(4,407,568)**	(971,372)
Release of capital reserve	**(895)**	–
Investment in associates retained	**3,033,410**	412,413
Gain on disposal of subsidiaries, net (Note 8)	**626,319**	150,819
Net cash inflow arising from disposal of subsidiaries:		
Cash consideration	**2,001,372**	684,202
Cash and cash equivalents disposed of	**(657,288)**	(60,921)
Net cash inflow from disposal of subsidiaries	**1,344,084**	623,281

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:

China Triumph International Engineering Company Limited) ("中國建材國際工程集團有限公司") ("China Triumph")

On 8 December 2021, the Company entered into a subscription agreement with Bengbu Institute, China Triumph and Bengbu Huajin pursuant to which the Company and Bengbu Huajin will respectively subscribe to 45.08% and 4.45% of the registered capital in Bengbu Institute by transferring 91% and 9% equity interests in China Triumph held by the Company and Bengbu Huajin to Bengbu Institute. The transaction was completed on 31 December 2021.

Net assets disposed in the transactions, and gain on disposal arising, are as follows:

	2021 ***RMB'000***
Net assets disposed of:	
Property, plant and equipment	**2,449,812**
Right-of-use assets	**332,880**
Goodwill	**62**
Intangible assets	**571,795**
Interests in associates	**9,231**
Financial assets at fair value through other comprehensive income	**531,406**
Deposits	**196,451**
Deferred income tax assets	**206,868**
Inventories	**1,496,838**
Trade and other receivables	**25,680,510**
Amounts due from the related parties	**1,357,056**
Pledged bank deposits	**1,393,504**
Cash and cash equivalents	**132,109**
Trade and other payables	**(16,002,981)**
Current income tax liabilities	**(36,059)**
Dividend payable to non-controlling interests	**(192,043)**
Amounts due to related parties	**(471,333)**
Borrowings	**(14,311,826)**
Deferred income	**(17,912)**
Lease liabilities	**(2,019)**
Deferred income tax liabilities	**(71,967)**
Non-controlling interests	**(644,298)**

43 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(Continued)*

China Triumph International Engineering Company Limited) ("中國建材國際工程集團有限公司") ("China Triumph") (Continued)

	2021 *RMB'000*
Gain on disposal of subsidiary:	
Net assets disposed of	**(2,608,084)**
Release of capital reserve	**(895)**
Investment in an associate retained	**3,033,410**
Gain on disposal of subsidiary, net	**424,431**
Net cash inflow arising from disposal of subsidiary:	
Cash consideration	**–**
Cash and cash equivalents disposed of	**(132,109)**
	(132,109)

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

For the year ended 31 December 2021, the Group acquired additional issued shares of 14 (2020: 4) subsidiaries for a consideration of approximately RMB4,939.94 million (2020: RMB34.93 million). The carrying amount of the non-controlling interests in these subsidiaries on the date of acquisition was approximately RMB4,649.94 million (2020: RMB9.67 million). The Group recognised a decrease in non-controlling interests of approximately RMB4,649.94 million (2020: RMB9.67 million) and an increase in equity attributable to owners of the Group of approximately RMB290.00 million (2020: RMB25.26 million).

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount of non-controlling interests acquired	**4,649,943**	9,669
Consideration paid to non-controlling interests	**(4,939,939)**	(34,928)
Excess of consideration paid recognised within parent's equity	**(289,996)**	(25,259)

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(Continued)*

Details of the Group's significant acquisition of additional interests in subsidiaries during both years are as follows:

Restructuring of cement assets

During the year ended 31 December 2021, the Company and Tianshan Cement entered into an indicative asset purchase agreement, pursuant to which the Company transferred 100% equity interest held in China United Cement and Sinoma Cement, 85.10% equity interest held in South Cement and 79.93% of equity interest held in Southwest Cement to Tianshan Cement for consideration which was paid in the form of new shares to be issued by Tianshan Cement the Company. On the same date, Tianshan Cement entered into another indicative asset purchase agreements with 27 minority shareholders of South Cement or Southwest Cement pursuant to which Tianshan Cement acquired certain equity interests in South Cement and Southwest Cement in consideration for issuance of consideration shares by Tianshan Cement and cash consideration of RMB2,679.77 million.

After that, the Group's effective equity interests in Tianshan Cement was increased from 45.87% to 87.70%. The carrying amount of the non-controlling interests in the certain subsidiaries on the date of acquisition was approximately RMB3,417.18 million. The Group recognised a decrease in non-controlling interests of approximately RMB3,417.18 million and an increase in equity attributable to owners of the Company of approximately RMB737.41 million.

Restructuring of cement engineering assets

During the year ended 31 December 2021, the Company, China Building Materials Academy Co., Ltd. and China Triumph (Collectively "CNBM Seller") and Sinoma International entered into an indicative asset purchase agreement, pursuant to which the CNBM Seller agreed to transfer the entire equity interest of Beijing Triumph Building Materials Engineering Co., Ltd ("BTBM") and Sinoma Mining and 51.15% equity interest of Nanjing Triumph International Engineering Company Limited ("Nanjing Triumph") to Sinoma International in consideration for issuance of 476,484,556 ordinary shares by Sinoma International and cash consideration of RMB516.09 million. On the same date, Sinoma International and 49 minority shareholders of Nanjiang Triumph (the "Independent seller") entered into another indicative asset purchase agreement, pursuant to which the Independent seller agreed to transfer 46.85% equity interest in Nanjing Triumph to Sinoma International for cash. consideration of RMB472.72 million.

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(Continued)*

Restructuring of cement engineering assets *(Continued)*

After that, the Group's effective equity interests in Sinoma International was increased from 40.03% to 48.78%. The carrying amount of the non-controlling interests in the certain subsidiaries on the date of acquisition was approximately RMB113.85 million. The Group recognised a decrease in non-controlling interests of approximately RMB113.85 million and a decrease in equity attributable to owners of the Company of approximately RMB358.87 million.

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 RMB2.14 million 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 100.00%. 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.

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.

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control

	2021	2020
	RMB'000	*RMB'000*
Carrying amount of equity interest obtained by non-controlling interests	**(2,594,774)**	(1,128,872)
Capital contributed by non-controlling interests	**3,063,807**	1,147,581
Gain on disposal within equity	**469,033**	18,709

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the years ended 31 December 2021 and 2020 are as follows:

Henan subsidiaries of China United Cement ("中聯水泥河南子公司") ("Henan subsidiaries")

As mentioned in Note 43(a), during the year ended 31 December 2021, China United Cement has transferred its Henan subsidiaries to a non-wholly owned subsidiary of China United Cement in exchange for the equity instruments issued by the subsidiary valued at the fair value of the Henan subsidiaries of RMB2,790.48 million. As a result of this transaction, the Group's effective equity interest in the Henan subsidiaries was diluted from 100% to 60%, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB422.50 million and an increase in non-controlling interests of approximately RMB2,367.98 million.

Concrete and cement subsidiaries of CNBM Investment ("中建材投資的水泥及商混子公司")

During the year 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.

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control *(Continued)*

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.

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.

45 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 3.1, the acquisitions of Suzhou Institute, CNBM Mining and Beijing Zhongbei have been accounted for based on merger accounting. Accordingly, the assets and liabilities of Suzhou Institute, CNBM Mining and Beijing Zhongbei 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 Suzhou Institute, CNBM Mining and Beijing Zhongbei on a combined basis. The details of the restated balances are stated as below.

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2019 and 2020 are as follows:

As at 31 December 2019

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei *RMB'000*	Suzhou Institute *RMB'000*	CNBM Mining *RMB'000*	Beijing Zhongbei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Non-current assets						
Property, plant and equipment	173,149,194	5,456	10,417	747	–	173,165,814
Right-of-use assets	31,583,266	–	–	–	–	31,583,266
Investment properties	974,038	–	–	5,812	–	979,850
Goodwill	37,886,421	–	–	–	–	37,886,421
Intangible assets	12,182,414	–	–	–	–	12,182,414
Interests in associates	15,875,435	–	–	–	–	15,875,435
Interest in joint ventures	98,866	–	–	–	–	98,866
Financial assets at fair value through profit or loss	2,569,191	–	–	12,214	–	2,581,405
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	–	–	519	–	5,851,443
	289,433,728	5,456	10,417	19,292	–	289,468,893

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2019 *(Continued)*

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei *RMB'000*	Suzhou Institute *RMB'000*	CNBM Mining *RMB'000*	Beijing Zhongbei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current assets						
Inventories	20,021,854	8,953	1,587	–	–	20,032,394
Trade and other receivables	98,060,831	5,092	1,782	12,122	–	98,079,827
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	3,076,763	90	–	–	(90)	3,076,763
Pledged bank deposits	5,127,107	–	–	–	–	5,127,107
Cash and cash equivalents	24,085,121	19,130	5,096	84,581	–	24,193,928
	156,900,503	33,265	8,465	96,703	(90)	157,038,846
Assets classified as held-for-sale	90,159	–	–	–	–	90,159
	156,990,662	33,265	8,465	96,703	(90)	157,129,005

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2019 *(Continued)*

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei *RMB'000*	Suzhou Institute *RMB'000*	CNBM Mining *RMB'000*	Beijing Zhongbei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current liabilities						
Trade and other payables	89,393,495	12,240	18,059	37,683	–	89,461,477
Amounts due to related parties	5,194,240	–	–	–	(90)	5,194,150
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	–	–	1,437	–	4,311,023
Financial guarantee contracts	64,000	–	–	–	–	64,000
Dividend payable to non-controlling interests	236,629	458	–	–	–	237,087
	198,471,065	12,698	18,059	39,120	(90)	198,540,852
Net current (liabilities)/assets	(41,480,403)	20,567	(9,594)	57,583	–	(41,411,847)
Total assets less current liabilities	247,953,325	26,023	823	76,875	–	248,057,046
Non-current liabilities						
Borrowings – amount due after one year	88,495,563	–	–	–	–	88,495,563
Deferred income	3,216,552	–	–	–	–	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
	96,940,032	–	–	–	–	96,940,032
Net assets	151,013,293	26,023	823	76,875	–	151,117,014

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2019 *(Continued)*

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei *RMB'000*	Suzhou Institute *RMB'000*	CNBM Mining *RMB'000*	Beijing Zhongbei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Capital and reserves						
Share capital	8,434,771	2,270	984	10,811	(14,065)	8,434,771
Reserves	72,015,962	23,753	(161)	53,280	(2,686)	72,090,148
Equity attributable to:						
Owners of the Company	80,450,733	26,023	823	64,091	(16,751)	80,524,919
Holders of perpetual capital instruments	20,785,279	–	–	–	–	20,785,279
Non-controlling interests	49,777,281	–	–	12,784	16,751	49,806,816
Total equity	151,013,293	26,023	823	76,875	–	151,117,014

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2020

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei	Suzhou Institute	CNBM Mining	Beijing Zhongbei	Adjustments	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets						
Property, plant and equipment	172,379,757	4,932	72,109	63	–	172,456,861
Right-of-use assets	29,979,586	–	–	–	–	29,979,586
Investment properties	851,643	–	–	5,520	–	857,163
Goodwill	33,290,321	–	–	–	–	33,290,321
Intangible assets	19,074,130	–	–	–	–	19,074,130
Interests in associates	19,313,566	–	–	–	–	19,313,566
Interest in joint ventures	98,018	–	–	–	–	98,018
Financial assets at fair value through profit or loss	2,517,143	–	–	12,214	–	2,529,357
Financial assets at fair value through other comprehensive income	7,526	–	–	–	–	7,526
Deposits	4,075,507	–	–	–	–	4,075,507
Trade and other receivables	11,930,475	–	–	–	–	11,930,475
Deferred income tax assets	6,565,399	–	–	–	–	6,565,399
	300,083,071	4,932	72,109	17,797	–	300,177,909
Current assets						
Inventories	20,287,977	19,526	1,236	–	–	20,308,739
Trade and other receivables	93,080,091	23,835	6,456	2,292	–	93,112,674
Financial assets at fair value through profit or loss	6,156,222	10,530	–	–	–	6,166,752
Derivative financial instruments	16,148	–	–	–	–	16,148
Amounts due from related parties	1,844,800	90	–	–	(90)	1,844,800
Pledged bank deposits	4,995,816	–	–	–	–	4,995,816
Cash and cash equivalents	29,718,310	3,356	3,950	98,293	–	29,823,909
	156,099,364	57,337	11,642	100,585	(90)	156,268,838
Assets classified as held-for-sale	195,843	–	–	–	–	195,843
	156,295,207	57,337	11,642	100,585	(90)	156,464,681

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2020 *(Continued)*

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei *RMB'000*	Suzhou Institute *RMB'000*	CNBM Mining *RMB'000*	Beijing Zhongbei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Current liabilities						
Trade and other payables	98,066,458	35,590	83,480	27,648	–	98,213,176
Amounts due to related parties	4,748,493	–	–	–	(90)	4,748,403
Borrowings – amount due within one year	89,440,797	–	–	–	–	89,440,797
Lease liabilities	633,246	–	–	–	–	633,246
Derivative financial instruments	19,338	–	–	–	–	19,338
Employee benefits payable	1,564	–	–	–	–	1,564
Current income tax liabilities	4,774,046	–	46	2,856	–	4,776,948
Financial guarantee contracts	64,000	–	–	–	–	64,000
Dividend payable to non-controlling interests	313,879	–	–	–	–	313,879
	198,061,821	35,590	83,526	30,504	(90)	198,211,351
Net current (liabilities)/assets	(41,766,614)	21,747	(71,884)	70,081	–	(41,746,670)
Total assets less current liabilities	258,316,457	26,679	225	87,878	–	258,431,239
Non-current liabilities						
Borrowings – amount due after one year	85,629,115	–	–	–	–	85,629,115
Deferred income	2,234,392	–	–	–	–	2,234,392
Lease liabilities	2,697,414	–	–	–	–	2,697,414
Employee benefits payable	240,878	–	–	–	–	240,878
Deferred income tax liabilities	2,333,848	–	–	–	–	2,333,848
	93,135,647	–	–	–	–	93,135,647
Net assets	165,180,810	26,679	225	87,878	–	165,295,592

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2020 *(Continued)*

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei *RMB'000*	Suzhou Institute *RMB'000*	CNBM Mining *RMB'000*	Beijing Zhongbei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Capital and reserves						
Share capital	8,434,771	20,000	984	10,811	(31,795)	8,434,771
Reserves	81,805,330	6,679	(759)	62,727	15,053	81,889,030
Equity attributable to:						
Owners of the Company	90,240,101	26,679	225	73,538	(16,742)	90,323,801
Holders of perpetual capital instruments	18,637,177	–	–	–	–	18,637,177
Non-controlling interests	56,303,532	–	–	14,340	16,742	56,334,614
Total equity	165,180,810	26,679	225	87,878	–	165,295,592

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 2020 are as follows:

For the year ended 31 December 2020

	The Group excluding Suzhou Institute, CNBM Mining and Beijing Zhongbei *RMB'000*	Suzhou Institute *RMB'000*	CNBM Mining *RMB'000*	Beijing Zhongbei *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Revenue	254,761,813	43,434	11,952	34,802	(9,340)	254,842,661
Cost of sales	(187,952,541)	(35,056)	(8,537)	(8,656)	9,340	(187,995,450)
Gross profit	66,809,272	8,378	3,415	26,146	–	66,847,211
Investment and other income, net	5,330,818	1,806	14	3,307	–	5,335,945
Selling and distribution costs	(4,856,839)	(265)	(624)	–	–	(4,857,728)
Administrative expenses	(30,424,945)	(8,161)	(2,952)	(6,203)	–	(30,442,261)
Finance costs, net	(7,080,362)	271	–	979	–	(7,079,112)
Share of results of associates	3,272,981	–	–	–	–	3,272,981
Share of results of joint ventures	1,354	–	–	–	–	1,354
Impairment loss under expected credit loss model, net of reversal	(3,017,270)	(372)	(290)	(67)	–	(3,017,999)
Profit/(loss) before income tax	30,035,009	1,657	(437)	24,162	–	30,060,391
Income tax expense	(8,389,894)	–	(50)	(6,002)	–	(8,395,946)
Profit/(loss)for the year	21,645,115	1,657	(487)	18,160	–	21,664,445
Profit/(loss) for the year attributable to:						
Owners of the Company	12,552,782	1,657	(487)	9,446	(690)	12,562,708
Holders of perpetual capital instruments	991,808	–	–	–	–	991,808
Non-controlling interests	8,100,525	–	–	8,714	690	8,109,929
	21,645,115	1,657	(487)	18,160	–	21,664,445

45 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

	Impact on earnings per share of the Group *RMB*
Reported figures before restatement	1.488
Restatement arising from business combination of entities under common control	0.001
Restated	1.489

The effect of business combinations of entities under common control described above on the Group's net profit for the year ended 31 December 2020 is as follows:

	Impact on net profit of the Group *RMB*
Reported figures before restatement	21,645,115
Restatement arising from business combination of entities under common control	19,330
Restated	21,664,445

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, the 2020 interim report, 2020 annual report and 2021 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").

As of the date of this report, Taishan's payment obligations under the Settlement Agreement have been competely performed.

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. As of the date of this report, the litigation of 21 plaintiffs has been concluded, and the litigation of the remaining 69 plaintiffs will be ongoing.

In addition to the multi-district consolidated litigation cases involved in the above settlements, there has also been litigation brought by builders and suppliers. Among them, The Mitchell Co., Inc against Knauf Gips KG has been settled and the settlement payment has been made, and other cases are still ongoing. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further disclose if and when necessary or appropriate.

47 CAPITAL COMMITMENTS

	2021 **RMB'000**	2020 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	**938,285**	1,068,152

48 OPERATING LEASING ARRANGMENTS

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 follows:

	2021 **RMB'000**	2020 RMB'000
Within one year	**134,499**	121,626
In the second year	**65,650**	64,434
In the third year	**33,641**	39,656
In the fourth year	**26,454**	34,408
In the fifth year	**16,661**	26,151
After five years	**24,447**	14,265
	301,352	300,540

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 2020			
As previously reported	3,117,927	186,232,809	4,222,385
Business combination under common control	(90)	–	–
As restated	3,117,837	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, as restated	2,892,096	175,069,912	3,330,660
At 1 January 2021			
As previously reported	**2,892,186**	**175,069,912**	**3,330,660**
Business combination under common control	**(90)**	**–**	**–**
As restated	**2,892,096**	**175,069,912**	**3,330,660**
Financing cash flows	**1,838,666**	**5,489,202**	**(812,870)**
Acquisition of subsidiaries	**53,991**	**970,085**	**298**
Disposal of subsidiaries	**(1,025,823)**	**(14,685,694)**	**(33,325)**
New leases entered	**–**	**–**	**488,404**
Early termination of leases	**–**	**–**	**(217,010)**
Interest expenses	**–**	**–**	**211,224**
At 31 December 2021	**3,758,930**	**166,843,505**	**2,967,381**

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:

	2021	2020
	RMB'000	*RMB'000*
Provision of production supplies to		
– The Parent Group	**888,309**	716,056
– Associates	**14,714**	367,205
– Joint ventures	**11,222**	14,815
– Non-controlling interests of subsidiaries	**671**	–
	914,916	1,098,076
Provision of support services to		
– The Parent Group	**40,853**	37,854
– Associates	**104,735**	–
– Joint ventures	**55,161**	–
– Non-controlling interests of subsidiaries	**20,661**	–
	221,410	37,854
Rental income received from the Parent Group	**6,381**	48,341
Rendering of engineering service to the Parent Group	**105,478**	1,136,424
Interest income received from The Parent Group	**111,090**	78,821

50 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(Continued)*

	2021	2020
	RMB'000	*RMB'000*
Provision of production supplies by		
– The Parent Group	**1,357,353**	444,708
– Associates	**2,632**	56,816
– Joint ventures	**–**	4,210
– Non-controlling interests of subsidiaries	**4,427**	16,824
	1,364,412	522,558
Provision of support services by		
– The Parent Group	**33,344**	41,904
– Associates	**20,108**	19,559
– Joint ventures	**5,775**	11,860
	59,227	73,323
Supplying of equipment by		
– The Parent Group	**1,338,845**	594,302
– Associates	**–**	25,625
– Joint ventures	**–**	77
	1,338,845	620,004
Interest expense paid to the Parent Group	**98,257**	85,111
Provision of engineering services by the Parent Group		
– The Parent Group	**1,104,645**	294,964
– Associates	**86**	–
– Joint ventures	**8,697**	–
	1,113,428	294,964

50 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(Continued)*

	2021 **RMB'000**	2020 *RMB'000*
Supply of raw materials by		
– Associates	**65,971**	67,456
– Non-controlling interests of subsidiaries	**–**	60,666
	65,971	128,122
Supply of raw materials (limestone and clay) by the Parent Group	**176,847**	75,950
Short term lease expenses paid to:		
– The Parent Group	**1,318**	693
– Non-controlling interests of subsidiaries	**–**	83
	1,318	776
Provision of other financial service by the Parent Group	**171**	66

50 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions and balances with other state-owned enterprises in the PRC

During the year ended 31 December 2021, 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 2021 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Short-term benefits	**8,479**	10,275
Post-employment benefits	**216**	19
	8,695	10,294

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:

	2021	2020
	RMB'000	*RMB'000*
Investments in subsidiaries	**52,366,220**	54,366,054
Other non-current assets	**5,784,712**	2,793,800
Amounts due from subsidiaries	**65,868,690**	58,762,776
Other current assets	**2,206,413**	2,726,732
Non-current liabilities	**(33,745,756)**	(38,898,662)
Current liabilities	**(23,587,934)**	(25,277,310)
Net assets	**68,892,345**	54,473,390
Share capital (Note 40)	**8,434,771**	8,434,771
Reserves	**43,648,431**	28,549,167
Perpetual capital instruments	**16,809,142**	17,489,452
Total equity	**68,892,344**	54,473,390

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 RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund (Note 41(b)) RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital instruments (Note 42) RMB'000	Total equity RMB'000
Balance at 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)
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 and 1 January 2021	8,434,771	1,788,736	13,800,337	2,426,160	10,533,934	36,983,938	17,489,452	54,473,390
Net profit for the year	–	–	–	–	21,855,257	21,855,257	776,546	22,631,803
Actuarial loss on defined benefit obligations	–	–	(4,559)	–	–	(4,559)	–	(4,559)
Total comprehensive income/(expense) for the year	–	–	(4,559)	–	21,855,257	21,850,698	776,546	22,627,244
Government subsidy (Note)	–	–	(2,770,366)	–	–	(2,770,366)	–	(2,770,366)
Issue of perpetual capital instruments, net of issuance cost	–	–	–	–	–	–	4,000,000	4,000,000
Dividends (Note 13)	–	–	–	–	(3,964,342)	(3,964,342)	–	(3,964,342)
Interest paid on perpetual capital instruments	–	–	–	–	–	–	(763,342)	(763,342)
Redemption of perpetual capital instruments	–	–	(16,726)	–	–	(16,726)	(4,693,514)	(4,710,240)
Balance at 31 December 2021	8,434,771	1,788,736	11,008,686	2,426,160	28,424,849	52,083,202	16,809,142	68,892,344

Note:

During the years ended 31 December 2010 to 2015, certain national funds were contributed by the PRC Government to the Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

Pursuant to the requirements of the relevant notice, those national funds were designated as capital contribution and vested solely with the PRC Government due to non-repayable feature and can be converted into share capital.

During the year ended 31 December 2021, the national funds was classified as liability due to change in repayment term through renegotiation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	*(restated)*	*(restated)*	*(restated)*
Revenue	**273,683,403**	254,842,661	253,535,337	219,051,673	184,375,470
Cost of sales	**(208,315,090)**	(187,995,450)	(185,000,826)	(160,743,539)	(141,979,900)
Gross profit	**65,368,313**	66,847,211	68,534,511	58,308,134	42,395,570
Investment and other income, net	**6,525,408**	5,335,945	4,321,407	2,121,730	4,500,240
Selling and distribution costs	**(4,836,207)**	(4,857,728)	(5,043,214)	(4,734,424)	(4,212,876)
Administrative expenses	**(28,605,502)**	(30,442,261)	(30,123,246)	(22,968,071)	(17,730,145)
Finance costs, net	**(7,236,048)**	(7,079,112)	(8,753,807)	(10,740,618)	(10,950,393)
Share of results of associates	**4,023,181**	3,272,981	2,458,390	2,011,230	1,032,763
Share of results of joint ventures	**(4,320)**	1,354	733	(4,881)	1,289
Impairment loss under expected credit loss model, net of reversal	**(1,647,168)**	(3,017,999)	(3,971,217)	(3,804,474)	(1,044,322)
Profit before income tax	**33,587,657**	30,060,391	27,423,557	20,188,626	13,992,126
Income tax expense	**(7,968,613)**	(8,395,946)	(9,019,141)	(6,302,067)	(4,264,972)
Profit for the year	**25,619,044**	21,664,445	18,404,416	13,886,559	9,727,153
Profit for the year attributable to:					
Owners of the Company	**16,218,359**	12,562,708	10,969,095	7,927,468	4,888,753
Holders of perpetual capital instruments	**794,707**	991,808	1,170,455	980,882	652,530
Non-controlling interests	**8,605,978**	8,109,929	6,269,867	4,978,209	4,185,870
	25,619,044	21,664,445	18,404,417	13,886,559	9,727,153
Final dividend proposed	**5,845,296**	3,964,342	2,952,170	1,578,259	843,477

Financial Summary *(Continued)*

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	*(restated)*	*(restated)*	*(restated)*
Total assets	**462,542,131**	456,642,590	446,597,898	436,407,040	454,328,399
Total liabilities	**(283,917,708)**	(291,346,998)	(295,480,884)	(300,650,555)	(329,983,342)
Perpetual capital instruments	**(16,809,142)**	(18,637,177)	(20,785,279)	(22,219,087)	(16,716,270)
Non-controlling interests	**(59,941,879)**	(56,334,614)	(49,806,816)	(41,845,006)	(43,676,656)
Equity attributable to owners of the Company	**101,873,402**	90,323,801	80,524,919	71,692,392	63,952,131