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CNBM

China National Building Material Company Limited*

中國建材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3323)

Announcement of Annual Results
For the Year Ended 31 December 2018

For the year ended 31 December 2018, the Group's consolidated operating revenue amounted to RMB218,955 million, representing an increase of 18.9% as compared to the same period of 2017.

The audited profit attributable to equity holders of the Company amounted to RMB8,067 million, representing an increase of 63.3% as compared to the same period of 2017.

Basic earnings per share was RMB0.956, representing an increase of 63.3% as compared to the same period of 2017.

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

The Board is pleased to announce the consolidated results and the financial position of the Group for the year ended 31 December 2018 prepared in accordance with IFRS, together with the consolidated results and financial position for the year of 2017 for comparison.

The audited financial statements of the Group as of 31 December 2018 have been reviewed by the independent auditor, the Board and the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018** *RMB'000*	2017 *RMB'000* (restated)
Revenue	4	**218,955,189**	184,120,712
Cost of sales		**(153,867,565)**	(135,562,713)
Gross profit		**65,087,624**	48,557,999
Investment and other income, net	6	**2,083,374**	4,457,745
Selling and distribution costs		**(11,534,806)**	(10,441,440)
Administrative expenses		**(26,538,125)**	(18,667,908)
Finance costs, net	7	**(10,739,691)**	(10,892,419)
Share of profits of associates		**2,006,451**	1,032,763
Share of (losses)/profits of joint ventures		**(4,881)**	1,289
Profit before income tax	8	**20,359,946**	14,048,029
Income tax expense	9	**(6,299,497)**	(4,254,818)
Profit for the year		**14,060,449**	9,793,211
Profit for the year attributable to:			
Owners of the Company		**8,066,995**	4,939,380
Holders of perpetual capital instruments		**980,882**	652,530
Non-controlling interests		**5,012,572**	4,201,301
		14,060,449	9,793,211
		RMB	*RMB*
Earnings per share – basic and diluted	11	**0.956**	0.586

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

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

	Note	**2018**	2017	2016
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	(restated)
Current liabilities				
Trade and other payables	13	**78,989,884**	84,280,343	80,928,880
Amounts due to related parties		**3,642,652**	9,173,035	6,124,798
Borrowings – amount due within one year		**121,509,807**	148,139,723	162,056,156
Obligations under finance leases		**4,964,618**	9,147,828	5,094,797
Derivative financial instruments		**11,088**	477	2,563
Employee benefits payable		**4,713**	36,737	27,748
Current income tax liabilities		**4,315,509**	3,025,012	2,162,649
Financial guarantee contracts		**64,000**	56,838	56,981
Dividend payable to non-controlling interests		**214,779**	310,476	407,242
		213,717,050	254,170,469	256,861,814
Net current liabilities		**(56,918,201)**	(80,587,832)	(86,634,803)
Total assets less current liabilities		**222,931,119**	199,987,182	187,184,553
Non-current liabilities				
Borrowings – amount due after one year		**77,529,956**	61,112,697	56,199,718
Deferred income		**1,912,139**	1,695,616	1,888,772
Obligations under finance leases		**4,357,146**	9,016,706	14,275,749
Employee benefits payable		**267,442**	215,619	219,675
Deferred income tax liabilities		**2,439,407**	3,181,213	2,989,308
		86,506,090	75,221,851	75,573,222
Net assets		**136,425,029**	124,765,331	111,611,331

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

AUDITOR'S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly HK**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly HK on the preliminary announcement.

1 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

2.1 Application of new and amendments to IFRSs

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

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

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

(i) IFRS 15 Revenue from Contracts with Customers

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

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

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

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

Summary of effects arising from initial application of IFRS 15

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

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

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

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

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

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

Impact on the consolidated statement of financial position

	As reported *RMB'000*	**Adjustment** *RMB'000*	**Amount without adoption of IFRS 15** *RMB'000*
Current assets			
Trade and other receivables			
– Contract assets	13,282,258	(13,282,258)	–
– Amounts due from customers for contract work	–	13,282,258	13,282,258
– Other receivables, deposits and prepayments	26,315,718	235,749	26,557,467
Current liabilities			
Trade and other payables			
– Contract liabilities	13,765,885	(13,765,885)	–
– Amounts due to customers for contract work	–	2,199,051	2,199,051
– Other payables	17,334,491	11,566,834	28,901,325

(ii) IFRS 9 Financial instruments

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

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

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

Summary of effects arising from initial application of IFRS 9

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

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

Notes:

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

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

(b) Impairment under ECL model

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

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

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

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

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

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

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

	31 December 2017 *RMB'000* (restated)	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018** ***RMB'000*** **(restated)**
Non-current assets				
Available-for-sale financial assets	6,681,151	–	(6,681,151)	**–**
Financial assets at fair value through profit or loss	–	–	6,680,670	**6,680,670**
Deferred income tax assets	5,880,882	–	119,846	**6,000,728**
Other non-current assets	268,012,981	–	–	**268,012,981**
	280,575,014	–	119,365	**280,694,379**
Current assets				
Trade and other receivables				
– Trade receivables	43,264,018	–	(588,573)	**42,675,445**
– Contract assets	–	6,444,655	–	**6,444,655**
– Amounts due from customers for contract work	6,082,899	(6,082,899)	–	**–**
– Other receivables, deposits and prepayments	39,156,868	(361,756)	–	**38,795,112**
– Others	19,095,519	–	–	**19,095,519**
Available-for-sale financial assets	54,500	–	(54,500)	**–**
Financial assets at fair value through profit or loss	2,887,550	–	54,500	**2,942,050**
Other current assets	63,041,283	–	–	**63,041,283**
	173,582,637	–	(588,573)	**172,994,064**

	31 December 2017 *RMB'000* (restated)	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018** ***RMB'000*** **(restated)**
Current liabilities				
Trade and other payables				
– Contract liabilities	–	9,987,394	–	**9,987,394**
– Amounts due to customers for contract work	2,774,074	(2,774,074)	–	**–**
– Other payables	30,108,318	(7,213,320)	–	**22,894,998**
– Others	51,397,951	–	–	**51,397,951**
Other current liabilities	169,890,126	–	–	**169,890,126**
	254,170,469	–	–	**254,170,469**
Net current liabilities	(80,587,832)	–	(588,573)	**(81,176,405)**
Total assets less current liabilities	199,987,182	–	(469,208)	**199,517,974**
Non-current liabilities	75,221,851	–	–	**75,221,851**
Net assets	124,765,331	–	(469,208)	**124,296,123**
Capital and reserves				
Share capital	5,399,026	–	–	**5,399,026**
Reserves	58,874,579	–	(550,950)	**58,323,629**
Equity attributable to:				
Owners of the Company	64,273,605	–	(550,950)	**63,722,655**
Holders of perpetual capital instruments	16,716,270	–	–	**16,716,270**
Non-controlling interests	43,775,456	–	81,742	**43,857,198**
Total equity	124,765,331	–	(469,208)	**124,296,123**

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

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

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

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

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

IFRS 16 Leases

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

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over principal subsidiaries

Beijing New Building Material Public Limited Company ("BNBM")

BNBM is a subsidiary of the Group although the Group has only 37.83% (2017: 35.73%) equity interests and voting rights in BNBM. BNBM is listed on the stock exchange of Shenzhen, PRC. The Group has increased the equity interests in BNBM to 37.83% from 35.73% since June 2018 and the remaining 62.17% equity interests are owned by thousands of shareholders that are unrelated to the Group.

Sinoma International Engineering Company Limited ("Sinoma International")

Sinoma International is a subsidiary of the Group although the Group has only 40.03% (2017: 39.70%) equity interests and voting rights in Sinoma International. Sinoma International is listed on the stock exchange of Shanghai, PRC. The Group has increased the equity interests in Sinoma International to 40.03% form 39.70% since October 2018 and the remaining 59.97% equity interests are owned by thousands of shareholders that are unrelated to the Group.

Ningxia Building Materials Group Co., Limited ("Ningxia Building Materials")

Ningxia Building Materials is a subsidiary of the Group although the Group has only 47.56% (2017: 47.56%) equity interests and voting rights in Ningxia Building Materials. Ningxia Building Materials is listed on the stock exchange of Shanghai, PRC. The Group has 47.56% equity interests in Ningxia Building Materials and the remaining 52.44% equity interests are owned by thousands of shareholders that are unrelated to the Group.

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

Tianshan Cement is a subsidiary of the Group although the Group has only 45.87% (2017: 45.87%) equity interests and voting rights in Tianshan Cement. Tianshan Cement is listed on the stock exchange of Shenzhen, PRC. The Group has 45.87% equity interests in Tianshan Cement and the remaining 54.13% equity interests are owned by thousands of shareholders that are unrelated to the Group.

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

Qilianshan Cement is a subsidiary of the Group although the Group has only 25.04% (2017: 25.04%) voting rights in Qilianshan Cement through the directly-hold shareholding of the Company and the indirectly-hold shareholding of a subsidiary of the Company. Qilianshan Cement is listed on the stock exchange of Shanghai, PRC. The remaining 74.96% voting rights are owned by thousands of shareholders that are unrelated to the Group.

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

Significant influence over associates

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

Shanghai Yaohua is an associate of the Group although the Group only owns 12.74% (2017: 12.74%) equity interests in Shanghai Yaohua. The Group has significant influence over Shanghai Yaohua by virtue of the contractual right to appoint 1 out of the 8 directors to the board of directors of that company.

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

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

3.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2018, the carrying amount of property, plant and equipment is approximately RMB175,475.86 million (2017: approximately RMB176,473.53 million).

Write down of inventories

Inventories are stated at lower of cost and net realisable value. During the year, allowance of approximately RMB338.01 million (2017: approximately of RMB87.79 million) is made to write down the cost of inventories to their net realisable values.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss/further impairment loss may arise. As at 31 December 2018, the carrying amount of goodwill is approximately RMB43,657.58 million (2017: approximately RMB46,068.58 million).

Income taxes

As at 31 December 2018, a deferred tax asset of approximately RMB2,538.59 million (2017: approximately RMB2,905.15 million) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB20,329.98 million (2017: approximately RMB16,343.13 million) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management of the Company is responsible in determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The management assesses regularly the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties and financial instruments.

4 REVENUE

	2018 *RMB'000*	2017 *RMB'000* (restated)
Sale of goods	**189,817,501**	157,924,655
Provision of engineering services	**26,706,910**	24,307,171
Rendering of other services	**2,430,778**	1,888,886
	218,955,189	184,120,712

5 SEGMENTS INFORMATION

(a) Operating segments

For management purpose, the Group is currently organised into five major operating divisions during the year – cement, concrete, new materials, engineering services and others. These activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Cement	–	Production and sale of cement
Concrete	–	Production and sale of concrete
New materials	–	Production and sale of glass fiber, composite and lightweight building materials
Engineering services	–	Provision of engineering services to glass and cement manufacturers and equipment procurement
Others	–	Merchandise trading business and others

More than 90% of the Group's operations and assets are located in the PRC for the years ended 31 December 2018 and 2017.

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

Year ended 31 December 2018

	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	117,444,327	41,473,444	26,923,194	-	1,104,781	-	186,945,746
Over time	-	-	-	32,009,443	-	-	32,009,443
	117,444,327	41,473,444	26,923,194	32,009,443	1,104,781	-	218,955,189
Inter-segment sales *(Note)*	8,272,315	1,915	4,872	2,134,809	1,775,849	(12,189,760)	-
	125,716,642	41,475,359	26,928,066	34,144,252	2,880,630	(12,189,760)	218,955,189
Adjusted EBITDA	31,704,138	4,545,140	6,321,845	3,093,148	(3,140,755)	-	42,523,516
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(10,182,740)	(856,660)	(1,671,185)	(594,063)	(152,402)	-	(13,457,050)
Unallocated other income, net							61,587
Unallocated administrative expenses							(29,986)
Share of profits of associates	1,119,814	-	7,992	4,213	874,432	-	2,006,451
Share of losses of joint ventures	(1,627)	-	(705)	(2,549)	-	-	(4,881)
Finance costs, net	(7,512,599)	(1,615,154)	(472,611)	(483,053)	(447,636)	-	(10,531,053)
Unallocated finance costs, net							(208,638)
Profit before income tax							20,359,946
Income tax expense							(6,299,497)
Profit for the year							14,060,449

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

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

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

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information							
Capital expenditure:							
Property, plant and equipment	8,634,170	743,535	4,481,474	1,297,690	455,471	-	15,612,340
Prepaid lease payments	402,523	14,767	201,803	5,620	45,556	-	670,269
Intangible assets	1,412,538	23,481	265,624	67,365	1,216	-	1,770,224
Unallocated							119,124
	10,449,231	781,783	4,948,901	1,370,675	502,243	-	18,171,957
Acquisition of subsidiaries	30,170	-	404,366	-	-	-	434,536
Depreciation and amortisation							
Property, plant and equipment	9,009,220	815,652	1,397,868	518,805	130,373	-	11,871,918
Intangible assets	781,092	15,832	176,851	42,087	15,248	-	1,031,110
Unallocated							90,055
	9,790,312	831,484	1,574,719	560,892	145,621	-	12,993,083

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid lease payments released to the consolidated statement of profit or loss	**392,428**	**25,176**	**96,466**	**33,171**	**6,781**	**–**	**554,022**
Allowance/(reversal of provision) for bad and doubtful debts	**2,777,734**	**610,962**	**(134,096)**	**525,440**	**12,505**	**–**	**3,792,545**
Impairment of goodwill	**2,199,782**	**–**	**3,607**	**–**	**51,179**	**–**	**2,254,568**
Impairment of property, plant and equipment	**2,917,557**	**247,704**	**62,623**	**3,397**	**12,583**	**–**	**3,243,864**
Write down/(reversal of provision) of inventories	**132,382**	**3,512**	**4,273**	**(6,340)**	**204,182**	**–**	**338,009**
Consolidated statement of financial position							
Assets							
Segment assets	**229,650,694**	**47,832,640**	**45,980,224**	**51,133,320**	**5,833,938**	**–**	**380,430,816**
Interests in associates	**6,741,471**	**–**	**4,877,219**	**55,829**	**1,852,808**	**–**	**13,527,327**
Interests in joint ventures	**8,632**	**–**	**64,122**	**7,452**	**–**	**–**	**80,206**
Unallocated assets							**42,609,820**
Total consolidated assets							**436,648,169**
Liabilities							
Segment liabilities	**(142,404,108)**	**(3,419,040)**	**(19,876,125)**	**(42,840,791)**	**(8,218,957)**	**–**	**(216,759,021)**
Unallocated liabilities							**(83,464,119)**
Total consolidated liabilities							**(300,223,140)**

Year ended 31 December 2017

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Consolidated statement of profit or loss							
Revenue							
External sales							
At a point of time	96,557,990	31,586,858	24,266,887	–	2,092,309	–	154,504,044
Over time	–	–	–	29,616,668	–	–	29,616,668
	96,557,990	31,586,858	24,266,887	29,616,668	2,092,309	–	184,120,712
Inter-segment sales *(Note)*	3,770,746	–	91,887	1,689,717	891,763	(6,444,113)	–
	100,328,736	31,586,858	24,358,774	31,306,385	2,984,072	(6,444,113)	184,120,712
Adjusted EBITDA	23,796,092	3,042,464	5,838,123	3,111,473	322,010	–	36,110,162
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(8,529,811)	(1,044,413)	(1,559,463)	(594,901)	(109,245)	–	(11,837,833)
Unallocated other income, net							143,118
Unallocated administrative expenses							(509,051)
Share of profits/(losses) of associates	448,005	(22,311)	(22,697)	(380)	630,146	–	1,032,763
Share of profits of joint ventures	–	–	1,289	–	–	–	1,289
Finance costs, net	(8,010,640)	(1,366,406)	(484,985)	(408,064)	(329,643)	–	(10,599,738)
Unallocated finance costs, net							(292,681)
Profit before income tax							14,048,029
Income tax expense							(4,254,818)
Profit for the year							9,793,211

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

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

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

	Cement *RMB'000* (restated)	Concrete *RMB'000* (restated)	New materials *RMB'000* (restated)	Engineering services *RMB'000* (restated)	Others *RMB'000* (restated)	Eliminations *RMB'000* (restated)	Total *RMB'000* (restated)
Other information							
Capital expenditure:							
Property, plant and equipment	7,131,972	607,174	3,916,337	1,556,783	377,408	–	13,589,674
Prepaid lease payments	427,542	40,282	203,271	21,438	41,624	–	734,157
Intangible assets	801,361	83,076	186,139	41,047	992	–	1,112,615
Unallocated							172,595
	8,360,875	730,532	4,305,747	1,619,268	420,024	–	15,609,041
Acquisition of subsidiaries	2,188,880	732,935	154,003	51,170	–	–	3,126,988
Depreciation and amortisation							
Property, plant and equipment	7,640,206	1,006,976	1,421,791	514,443	89,094	–	10,672,510
Intangible assets	457,817	14,577	66,371	50,790	13,886	–	603,441
Unallocated							74,985
	8,098,023	1,021,553	1,488,162	565,233	102,980	–	11,350,936

	Cement *RMB'000* (restated)	Concrete *RMB'000* (restated)	New materials *RMB'000* (restated)	Engineering services *RMB'000* (restated)	Others *RMB'000* (restated)	Eliminations *RMB'000* (restated)	Total *RMB'000* (restated)
Prepaid lease payments released to the consolidated statement of profit or loss	431,788	22,860	71,301	29,668	6,265	–	561,882
Allowance/(reversal of provision) for bad and doubtful debts	694,940	222,006	19,753	147,880	(40,257)	–	1,044,322
Impairment of goodwill	270,564	–	12,342	155,565	–	–	438,471
Impairment of property, plant and equipment	806,993	–	13,240	1,474	–	–	821,707
Write down/(reversal of provision) of inventories	18,116	8,483	28,287	32,867	33	–	87,786
Consolidated statement of financial position							
Assets							
Segment assets	252,306,996	51,255,631	43,586,798	41,189,238	6,495,022	–	394,833,685
Interests in associates	5,625,752	(115,469)	3,290,839	66,734	1,634,362	–	10,502,218
Interests in joint ventures	–	–	4,850	–	–	–	4,850
Unallocated assets							48,816,898
Total consolidated assets							454,157,651
Liabilities							
Segment liabilities	(153,111,823)	(16,892,582)	(20,464,227)	(39,056,884)	(7,984,851)	–	(237,510,367)
Unallocated liabilities							(91,881,953)
Total consolidated liabilities							(329,392,320)

A reconciliation of total adjusted profit before depreciation and amortisation, finance costs and income tax expense, is provided as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Adjusted EBITDA for reportable segments	**45,664,271**	35,788,152
Adjusted EBITDA for other segments	**(3,140,755)**	322,010
Total segments profit	**42,523,516**	36,110,162
Depreciation of property, plant and equipment	**(11,871,918)**	(10,672,510)
Amortisation of intangible assets	**(1,031,110)**	(603,441)
Prepaid lease payments released to the consolidated statements of profit or loss	**(554,022)**	(561,882)
Corporate items	**31,601**	(365,933)
Operating profit	**29,098,067**	23,906,396
Finance costs, net	**(10,739,691)**	(10,892,419)
Share of profits of associates	**2,006,451**	1,032,763
Share of profits of joint ventures	**(4,881)**	1,289
Profit before income tax	**20,359,946**	14,048,029

(b) Geographical segments

The Group's revenue from the following geographical markets, based on the locations of customers:

Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
		(restated)
PRC	**201,075,913**	165,138,480
Europe	**3,766,433**	2,620,629
Middle East	**1,878,977**	2,884,835
Southeast Asia	**2,826,961**	1,891,271
Oceania	**9,898**	9,591
Africa	**8,175,372**	10,043,497
Americas	**937,692**	845,702
Others	**283,943**	686,707
	218,955,189	184,120,712

(c) Information of major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2018 and 2017.

6 INVESTMENT AND OTHER INCOME, NET

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Dividends from available-for-sale financial assets	**–**	66,384
Dividends from financial assets at fair value through profit or loss	**116,910**	–
Discount on acquisition of interests in subsidiaries	**12,011**	216,132
Government subsidies:		
– VAT refunds *(Note (a))*	**1,796,216**	1,348,354
– Government grants *(Note (b))*	**603,285**	1,264,628
– Interest subsidy	**91,368**	115,327
Gain on disposal of subsidiaries, net	**231,786**	211,435
Decrease in fair value of financial assets at fair value through profit or loss, net	**(1,523,687)**	(14,140)
Increase in fair value of derivative financial instruments	**425**	2,218
Net rental income from:		
– Investment properties	**61,806**	53,454
– Land and building	**44,827**	5,058
– Equipment	**245,493**	107,062
Technical and other service income	**236,560**	185,818
Gain on disposal of interests in associates, net	**–**	78,972
Waiver of payables	**110,741**	202,465
Others	**55,633**	614,578
	2,083,374	4,457,745

Notes:

(a) The State Council of the PRC issued a "Notice Encouraging Comprehensive Utilisation of Natural Resources" (the "Notice") in 1996 to encourage and support enterprises, through incentive policies, to comprehensively utilise natural resources. Pursuant to the Notice, the Ministry of Finance and the State Administration of Taxation of the PRC enacted several regulations providing incentives in form of VAT refund for certain environmentally friendly products, including products that recognised industrial waste as part of their raw materials. Under the Notice and such regulations, the Group is entitled to receive immediate or future refund on any paid VAT with respect to any eligible products as income after it receives approvals from the relevant government authorities.

(b) Government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

7 FINANCE COSTS, NET

	2018 *RMB'000*	2017 *RMB'000* (restated)
Interest expenses on bank borrowings:		
– wholly repayable within five years	**6,141,477**	6,609,910
– not wholly repayable within five years	**2,132**	9,239
	6,143,309	6,619,149
Interest expenses on bonds, other borrowings and finance leases	**5,466,030**	5,163,122
Less: interest capitalised to construction in progress	**(144,784)**	(190,401)
	11,464,855	11,591,870
Interest income:		
– interest on bank deposits	**(408,805)**	(563,648)
– interest on loans receivables	**(316,359)**	(135,803)
	(725,164)	(699,451)
Finance costs, net	**10,739,691**	10,892,419

Borrowing costs capitalised for the year ended 31 December 2018 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.06% (2017: 3.10%) per annum to expenditure on the qualifying assets.

8 PROFIT BEFORE INCOME TAX

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

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Depreciation of:		
Property, plant and equipment	**11,927,028**	10,723,200
Investment properties	**29,990**	23,669
	11,957,018	10,746,869
Amortisation of intangible assets	**1,036,065**	604,067
Total depreciation and amortisation	**12,993,083**	11,350,936
Impairment loss on available-for-sale financial assets	**–**	21,092
Impairment loss on goodwill	**2,254,568**	438,471
Impairment loss on property, plant and equipment recognised	**3,243,864**	821,707
Impairment loss on intangible assets	**225,712**	883
Impairment loss on prepaid lease payment	**62,788**	–
Cost of inventories recognised as expenses	**142,111,192**	122,204,135
Prepaid lease payments released to the consolidated statement of profit or loss	**554,022**	561,882
Loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**31,286**	433,501
Auditor's remuneration	**15,273**	15,672
Staff costs including directors' remunerations		
Salaries, bonus and other allowances	**15,396,826**	14,041,201
Equity-settled share-based payment expenses	**12,399**	410
Retirement plan contributions	**1,737,401**	1,411,193
Total staff costs	**17,146,626**	15,452,804
Allowance for bad and doubtful debts	**3,792,545**	1,044,322
Write down of inventories	**338,009**	87,786
Operating lease rentals	**551,749**	376,654
Net foreign exchange (gain)/losses	**(307,746)**	549,458

9 INCOME TAX EXPENSE

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

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Current income tax	**7,270,121**	4,184,598
Deferred income tax	**(970,624)**	70,220
	6,299,497	4,254,818

PRC income tax is calculated at 25% (2017: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

The total charge for the year can be reconciled to the profit before income tax as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Profit before income tax	**20,359,946**	14,048,029
Tax at domestic income tax rate of 25% (2017: 25%)	**5,089,986**	3,512,007
Tax effect of:		
Share of profits of associates	**(501,613)**	(258,193)
Share of losses/(profits) of joint ventures	**1,220**	(322)
Expenses not deductible for tax purposes	**1,778,402**	801,133
Income not taxable for tax purposes	**(561,285)**	(160,687)
Tax effect of tax losses not recognised	**1,692,145**	1,424,791
Utilisation of previously unrecognised tax losses	**(58,343)**	(144,566)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note)*	**(17,870)**	(12,134)
Effect of different tax rates of subsidiaries	**(1,123,145)**	(907,211)
	6,299,497	4,254,818

Note: Pursuant to the relevant tax rules and regulations, certain subsidiaries of the Company can claim PRC income tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the PRC, to the extent of the PRC income tax expense for the current year in excess of that for the previous year. Such PRC income tax credits are allowed as a deduction of current income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

(b) Tax effects relating to each component of other comprehensive income

	2018			2017		
	Before taxation	**Taxation credited**	**Net of taxation**	Before taxation	Taxation charged	Net of taxation
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000* (restated)	*RMB'000* (restated)	*RMB'000* (restated)
Actuarial loss on defined benefit obligations	**(17,988)**	**(2,429)**	**(20,417)**	(7,460)	816	(6,644)
Change in the fair value of equity instruments at fair value through other comprehensive income	**(8,737)**	**1,311**	**(7,426)**	–	–	–
Currency translation differences	**(95,408)**	**–**	**(95,408)**	28,127	–	28,127
Change in the fair value of available-for-sale financial assets	**–**	**–**	**–**	853,242	(91,812)	761,430
Share of associates' other comprehensive expense	**(29,584)**	**–**	**(29,584)**	(19,514)	–	(19,514)
Share of joint ventures' other comprehensive income	**2**	**–**	**2**	213	–	213
Change in the fair value on hedging instruments designated as cash flow hedges	**(11,035)**	**1,655**	**(9,380)**	–	–	–
Other comprehensive (expense)/income	**(162,750)**	**537**	**(162,213)**	854,608	(90,996)	763,612

10 DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Dividends paid		
– RMB0.1 (2017: RMB0.043) per share by the Company	**843,477**	232,158
– RMB Nil (2017: RMB0.03) per share by China National Materials Company Limited ("Sinoma")	**–**	107,144
	843,477	339,302
Proposed final dividend		
– RMB0.18 (2017: RMB0.1) per share by the Company (see below)	**1,518,259**	843,477

The final dividend of RMB1,518,258,719.16 in total (tax inclusive) has been proposed by the board of directors on 22 March 2019.

The above proposed final dividends are subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

11 EARNINGS PER SHARE – BASIC AND DILUTED

The weighted average number of shares for the purpose of basic and diluted earnings per share for the years ended 31 December 2018 and 2017 has taken into account the issue of 3,035,744,400 new shares in exchange of the entire equity interest in Sinoma arising from the merger of Sinoma.

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

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Profit attributable to owners of the Company	**8,066,995**	4,939,380

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares in issue	**8,434,771**	8,434,771

No diluted earnings per share have been presented as the Group did not have any dilutive potential ordinary shares outstanding during both years.

12 TRADE AND OTHER RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000* (restated)
Trade receivables, net of allowance for bad and doubtful debts *(Note)*	**44,603,206**	44,652,834
Bills receivable	**20,954,537**	19,729,448
Contract assets	**10,860,968**	–
Amounts due from customers for contract work	**–**	6,082,899
Prepaid lease payments	**507,230**	576,338
Other receivables, deposits and prepayments	**26,476,933**	39,156,868
	103,402,874	110,198,387

	2018 *RMB'000*	2017 *RMB'000* (restated)
Analysed for reporting purposes:		
Non-current portion	**5,920,820**	2,599,083
Current portion	**97,482,054**	107,599,304
	103,402,874	110,198,387

Notes: The Group normally allowed an average of credit period of 60–180 days to its trade customers, except for customers of engineering services segment, the credit period are normally ranging from 1 to 2 years.

The ageing analysis of trade receivables based on the invoice date is as follows:

	2018 *RMB'000*	2017 *RMB'000* (restated)
Within two months	**8,995,854**	10,362,867
More than two months but within one year	**22,744,295**	20,169,155
Between one and two years	**7,262,590**	7,467,409
Between two and three years	**3,379,780**	2,800,026
Over three years	**2,220,687**	3,853,377
	44,603,206	44,652,834

13 TRADE AND OTHER PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Within two months	**7,334,650**	7,501,989
More than two months but within one year	**18,843,783**	17,236,912
Between one and two years	**2,962,476**	2,877,373
Between two and three years	**1,267,923**	1,143,097
Over three years	**2,328,904**	2,037,100
Trade payables	**32,737,736**	30,796,471
Bills payable	**15,151,772**	20,601,480
Contract liabilities	**13,765,885**	–
Amounts due to customers for contract work	**–**	2,774,074
Other payables	**17,334,491**	30,108,318
	78,989,884	84,280,343

BUSINESS HIGHLIGHTS

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

CEMENT SEGMENT

China United Cement

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

South Cement

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

North Cement

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

Southwest Cement

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

Sinoma Cement

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

Tianshan Cement

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

Ningxia Building Materials

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

Qilianshan

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

NEW MATERIALS SEGMENT

BNBM

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

China Jushi

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

Sinoma Science & Technology

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

China Composites

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

CHAIRMAN'S STATEMENT

Dear shareholders,

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

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

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

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

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

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

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

Cao Jianglin
Chairman

Beijing, the PRC
22 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at 31 December 2018 are summarized as follows:

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

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

On 27 December 2018, the Company entered into a capital increase agreement with ABC Financial Asset Investment Co., Ltd. (農銀金融資產投資有限公司) (hereinafter referred to as "ABC Investment") and Bank Of Communications Financial Assets Investment Co., Ltd. (交銀金融資產投資有限公司) (hereinafter referred to as "BOCOM Investment"), pursuant to which each of ABC Investment and BOCOM Investment contributes RMB1 billion to South Cement with a total contribution amount of RMB2 billion.

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

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

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

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

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

CEMENT SEGMENT

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

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

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

China United Cement

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

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

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

South Cement

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

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

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

North Cement

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

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

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

Southwest Cement

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

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

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

Sinoma Cement

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

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

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

Tianshan Cement

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

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

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

Ningxia Building Materials

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

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

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

Qilianshan

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

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

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

NEW MATERIALS SEGMENT

BNBM

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

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

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

China Jushi

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

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

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

Sinoma Science & Technology

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

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

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

China Composites

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

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

Sinoma Advanced

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

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

ENGINEERING SERVICES SEGMENT

Sinoma International

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

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

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

China Triumph

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

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

Sinoma Mining

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

FINANCIAL REVIEW

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

Revenue

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

Cost of sales

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

Other income

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Share of profits of associates

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

Income tax expense

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

Profit attributable to non-controlling interests

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

Profit attributable to equity holders of the Company

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

Cement Segment

China United Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

South Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

North Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Southwest Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Sinoma Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Tianshan Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Ningxia Building Materials

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Qilianshan

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

New Materials Segment

BNBM

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Sinoma Science & Technology

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

China Composites

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Sinoma Advanced

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Engineering Services Segment

Sinoma International

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

China Triumph

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Sinoma Mining

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Liquidity and financial resources

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

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

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

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

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

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

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

Exchange Risks

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

Contingent Liabilities

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

Future Plans for Material Investments or Capital Assets

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

Capital Commitments

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

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

Capital Expenditures

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

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

CASH FLOW FROM OPERATING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

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

CASH FLOW FROM FINANCING ACTIVITIES

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

OUTLOOK FOR 2019

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Directors, of whom Mr. Qian Fengsheng is the chairman and both Mr. Liu Jianwen and Ms. Xia Xue are members. All the three members are independent non-executive Directors. Among them, Mr. Qian Fengsheng possesses professional qualifications and experience in accounting and related financial management. Such composition is in compliance with the requirements under the Listing Rules. The main duties of the Audit Committee include supervision of the financial reporting procedures of the Company, internal regulation and control as well as risk management work. During the reporting period, the Audit Committee has commenced work in accordance with the requirements of Chapter 14 of the Listing Rules. The Audit Committee has reviewed the financial report and results of the Group for the year ended 31 December 2018.

DIVIDENDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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

MATERIAL TRANSACTIONS

Completion of the Merger Agreement with Sinoma

On 8 September 2017, the Company and Sinoma entered into a merger agreement, pursuant to which, the Company and Sinoma have implemented the Merger subject to the terms and conditions of the Merger Agreement. The highest relevant percentage ratio for transaction classification under the Listing Rules in respect of the relevant acquisition and the issue and exchange of H Shares and Unlisted Shares of the Company pursuant to the Merger exceeded 25% and was lower than 100%. The Merger therefore constituted a major acquisition for the Company. On 2 May 2018, the H Share Exchange (i.e. the issuance and dispatch of H Share certificates of the Company to Sinoma Share- Exchange Shareholders) and the Unlisted Share Exchange (i.e. share registration of the Unlisted Shares of the Company issued to Sinoma Share-Exchange Shareholders) have been completed.

Financial Services Framework Agreement

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

EMPLOYEE AND REMUNERATION POLICY

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

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

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

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

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

In accordance with the requirements under the Listing Rules which are applicable to the reporting period, the 2018 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2018 will be posted on the website of the Stock Exchange (website: http://www.hkex.com.hk) on or before 30 April 2019. This information will also be published on the website of the Company (website: http://cnbm.wsfg.hk).

DEFINITIONS

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

"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"Board"	the board of directors of the Company
"CBRC"	China Banking Regulatory Commission
"Cement+"	to develop, optimize and expand cement, commercial concrete, aggregate businesses which are the extension of industry chain of cement-related products and the new focal points of profit growth
"China Clearing"	China Securities Depository and Clearing Corporation Limited
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Jushi"	中國巨石股份有限公司 (China Jushi Co., Ltd.) (previously known as 中國玻纖股份有限公司 China Fiberglass Company Limited)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United Cement"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"CTG"	泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.)

"Digital Qilianshan 2.0"	the establishment of a digital Qilianshan management and control system by Qilianshan with one-stop, closed-loop management combining people, capital and property with production, supply and demand through integration and interconnection of information systems
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"EPC"	turn-key project services that include design, procurement and construction
"Group"	the Company and, except where the context otherwise requires, all its subsidiaries
"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
"IFRS"	International Financial Reporting Standards
"increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"MES"	Manufacturing Execution System, a management system of information-based production aiming at execution on plant floors of manufacturers
"Merger Agreement"	the merger agreement dated 8 September 2017 entered into between the Company and Sinoma, pursuant to the terms and conditions of which the Company and Sinoma implemented the Merger
"Merger"	the merger by absorption of Sinoma by the Company in accordance with the Company Law and other applicable PRC laws as stipulated under the Merger Agreement

"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
"NBS"	中國國家統計局 (National Bureau of Statistics of China)
"Ningxia Building Materials"	寧夏建材集團股份有限公司 (Ningxia Building Materials Group Co., Limited)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"PCP"	Price – Cost – Profit
"PRC"	the People's Republic of China
"Qilianshan"	甘肅祁連山水泥集團股份有限公司 (Gansu Qilianshan Cement Group Company Limited)
"Reporting Period"	the period from 1 January 2018 to 31 December 2018
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares, H Shares and Unlisted Foreign Shares
"Shareholder(s)"	holder(s) of Share(s)
"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 Advanced"	中材高新材料股份有限公司 (Sinoma Advanced Materials Co., Ltd.)

"Sinoma Cement"	中材水泥有限責任公司 (Sinoma Cement Co., Ltd.)
"Sinoma Finance"	中材集團財務有限公司 (Sinoma Group Finance Co., Ltd.)
"Sinoma International"	中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.)
"Sinoma Jinjing"	中材金晶玻纖有限公司 (Sinoma Jinjing Fiberglass Co., Ltd.)
"Sinoma Lithium Membrane"	中材鋰膜有限公司 (Sinoma Lithium Membrane Co., Ltd.)
"Sinoma Mining"	中材礦山建設有限公司 (Sinoma Mining Construction Co., Ltd.)
"Sinoma Science & Technology"	中材科技股份有限公司 (Sinoma Science & Technology Co., Ltd.)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Taishan Gypsum"	泰山石膏有限公司 (Taishan Gypsum Co., Ltd*)
"Tianshan Cement"	新疆天山水泥股份有限公司 (Xinjiang Tianshan Cement Co., Ltd.*)
"three delicacies"	streamline the organizational structure, enhance refined management level and improve operating efficiency

"Unlisted Foreign Shares"	the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"Xiamen Standard Sand"	廈 門 艾 思 歐 標 準 砂 有 限 公 司 (Xiamen ISO Standard Sand Co., Ltd.)

By Order of the Board
China National Building Material Company Limited*
Cao Jianglin
Chairman

Beijing, the PRC
22 March 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Cao Jianglin, Mr. Peng Jianxin, Mr. Peng Shou and Mr. Cui Xingtai as executive directors, Ms. Xu Weibing, Mr. Chang Zhangli, Mr. Tao Zheng, Mr. Chen Yongxin, Mr. Shen Yungang and Ms. Fan Xiaoyan as non-executive directors and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue as independent non-executive directors.

* *For identification only*