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 of its members)

(Stock Code: 3323)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

For the year ended 31 December 2020, the Group's consolidated operating revenue amounted to RMB254,762 million, representing an increase of 0.5% as compared to the same period of 2019.

The audited profit attributable to equity holders of the Company amounted to RMB12,553 million, representing an increase of 14.4% as compared to the same period of 2019.

Basic earnings per share was RMB1.488, representing an increase of 14.4% as compared to the same period of 2019.

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

The Board is pleased to announce the consolidated results and the financial position of the Group for the year ended 31 December 2020 prepared in accordance with IFRS, together with the consolidated results and financial position for the year of 2019 for comparison.

The audited financial statements of the Group as of 31 December 2020 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 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
			(restated)
Profit for the year		**21,645,115**	18,428,626
Other comprehensive (expense)/income, net of tax:			
(Note 9(b))			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit obligations		**754**	(3,938)
Change in the fair value of equity instruments at fair value through other comprehensive income, net		**2,038**	4,085
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**7,777**	(98,941)
Shares of associates' other comprehensive expense		**(49,883)**	(23,989)
Shares of joint ventures' other comprehensive expense		**(487)**	(326)
Change in the fair value on hedging instruments designated as cash flow hedges		**(1,936)**	(5,105)
Other comprehensive expense for the year, net of tax		**(41,737)**	(128,214)
Total comprehensive income for the year		**21,603,378**	18,300,412
Total comprehensive income attributable to:			
Owners of the Company		**12,528,079**	10,876,287
Holders of perpetual capital instruments		**991,808**	1,170,455
Non-controlling interests		**8,083,491**	6,253,670
Total comprehensive income for the year		**21,603,378**	18,300,412

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

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

	Note	2020 *RMB'000*	2019 *RMB'000* (restated)	2018 *RMB'000* (restated)
Current liabilities				
Trade and other payables	13	**98,066,458**	89,393,495	79,232,883
Amounts due to related parties		**4,748,493**	5,194,240	3,697,224
Borrowings – amount due within one year		**89,440,797**	97,737,246	121,531,807
Obligations under finance leases		**–**	–	4,964,618
Lease liabilities		**633,246**	1,514,279	–
Derivative financial instruments		**19,338**	17,729	11,088
Employee benefits payable		**1,564**	3,861	4,713
Current income tax liabilities		**4,774,046**	4,309,586	4,317,478
Financial guarantee contracts		**64,000**	64,000	64,000
Dividend payable to non-controlling interests		**313,879**	236,629	214,779
		198,061,821	198,471,065	214,038,590
Net current liabilities		**(41,766,614)**	(41,480,403)	(57,859,074)
Total assets less current liabilities		**258,316,457**	247,953,325	222,269,677
Non-current liabilities				
Borrowings – amount due after one year		**85,629,115**	88,495,563	77,532,956
Deferred income		**2,234,392**	3,216,552	1,986,284
Obligations under finance leases		**–**	–	4,357,146
Lease liabilities		**2,697,414**	2,708,106	–
Employee benefits payable		**240,878**	251,392	267,442
Deferred income tax liabilities		**2,333,848**	2,268,419	2,441,789
		93,135,647	96,940,032	86,585,617
Net assets		**165,180,810**	151,013,293	135,684,060

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

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 2020 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payments, leasing transactions that are accounted for in accordance with IFRS 16 Leases ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Business Combination under Common Control

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

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

The consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years presented. The opening balance at 1 January 2019 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2019.

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

2.1 Application to IFRSs that are mandatorily effective for the current year

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

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

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and amendments to IFRSs in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material

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

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

Amendments to IFRS 3 Definition of a Business

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

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

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

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

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

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

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

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

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[2]

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

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

3. 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% (2019: 37.83%) equity interests and voting rights in BNBM. BNBM is listed on the stock exchange of Shenzhen, PRC. The remaining 62.17% equity interests of BNBM are owned by thousands of shareholders that are unrelated to the Group.

*Sinoma International Engineering Company Limited ("**Sinoma International**")*

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

*Ningxia Building Materials Group Co., Limited (“**Ningxia Building Materials**”)*

Ningxia Building Materials is a subsidiary of the Group although the Group has only 47.56% (2019: 47.56%) equity interests and voting rights in Ningxia Building Materials. Ningxia Building Materials is listed on the stock exchange of Shanghai, PRC. The remaining 52.44% equity interests of Ningxia Building Materials are owned by thousands of shareholders that are unrelated to the Group.

*Xinjiang Tianshan Cement Co., Limited (“**Tianshan Cement**”)*

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

*Gansu Qilianshan Cement Group Company Limited (“**Qilianshan Cement**”)*

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

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% (2019: 12.74%) equity interests in Shanghai Yaohua. The Group has significant influence over Shanghai Yaohua by virtue of the contractual right to appoint 1 out of the 4 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 from 16.67% to 12.94% 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

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

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

Write down of inventories

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss/further impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill is approximately RMB33,290.32 million (2019: approximately RMB37,886.42 million).

Deferred tax asset

As at 31 December 2020, a deferred tax asset of approximately RMB935.96 million (2019: approximately RMB1,776.23 million) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB25,320.22 million (2019: approximately RMB17,705.39 million) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate expected credit loss ("**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

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

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 fibre, composite and lightweight building materials
Engineering services	–	Provision of engineering services to glass and cement manufacturers and equipment procurement
Others	–	Merchandise trading business and others

More than 90% of the Group's operations and assets are located in the PRC for the years ended 31 December 2020 and 2019.

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

Year ended 31 December 2020

	Cement *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Consolidated statement of profit or loss							
Revenue							
External sales							
At a point of time	127,496,550	51,110,289	40,965,172	3,745,607	1,429,782	–	224,747,400
Over time	–	–	–	30,014,413	–	–	30,014,013
	127,496,550	51,110,289	40,965,172	33,760,020	1,429,782	–	254,761,813
Inter-segment sales (Note)	1,555,612	29,678	656,119	6,154,971	2,238,123	(10,634,503)	–
	129,052,162	51,139,967	41,621,291	39,914,991	3,667,905	(10,634,503)	254,761,813
Adjusted EBITDA	37,521,589	5,197,574	7,772,891	240,533	(2,507,750)	–	48,224,837
Depreciation and amortisation	(10,757,855)	(674,031)	(2,355,178)	(503,762)	(120,382)	–	(14,411,208)
Unallocated other income, net							61,080
Unallocated administrative expenses							(33,673)
Share of profits/ (losses) of associates	1,743,695	(22,314)	49,812	23,040	1,478,748	–	3,272,981
Share of profits/(losses) of joint ventures	(1,026)	–	2,380	–	–	–	1,354
Finance costs, net	(4,843,675)	(1,041,314)	(570,879)	(268,082)	(327,139)	–	(7,051,089)
Unallocated finance costs, net							(29,273)
Profit before income tax							30,035,009
Income tax expense							(8,389,894)
Profit for the year							21,645,115

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

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

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

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

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Provision under expected credit loss model, net of reversal	**1,309,025**	**813,108**	**701,983**	**162,325**	**30,829**	**–**	**3,017,270**
Impairment of goodwill	**4,039,111**	**–**	**–**	**172,290**	**–**	**–**	**4,211,401**
Impairment of property, plant and equipment	**4,276,263**	**369,983**	**196,781**	**12,241**	**1,846**	**–**	**4,857,114**
Write down/(reversal of write down) of inventories	**162,589**	**1,670**	**193,714**	**(2,313)**	**11,312**	**–**	**366,972**
Consolidated statement of financial position							
Assets							
Segment assets	**219,562,304**	**47,061,694**	**58,658,156**	**58,288,394**	**5,464,043**	**–**	**389,034,591**
Interests in associates	**9,995,580**	**40,541**	**6,116,844**	**342,910**	**2,817,691**	**–**	**19,313,566**
Interests in joint ventures	**10,511**	**–**	**87,507**	**–**	**–**	**–**	**98,018**
Unallocated assets							**47,932,103**
Total consolidated assets							**456,378,278**
Liabilities							
Segment liabilities	**116,869,910**	**16,239,371**	**28,086,719**	**47,303,805**	**6,265,317**	**–**	**214,765,122**
Unallocated liabilities							**76,432,346**
Total consolidated liabilities							**291,197,468**

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

Year ended 31 December 2019

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

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

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(restated)	*(restated)*	*(restated)*	*(restated)*	*(restated)*	*(restated)*	*(restated)*
Other information							
Capital expenditure:							
Property, plant and equipment	14,486,287	1,546,300	5,169,093	858,424	392,939	–	22,453,043
Right of use assets	850,626	88,474	314,147	67,706	15,884	–	1,336,837
Intangible assets	3,522,166	49,051	376,999	71,993	3,322	–	4,023,531
Unallocated							59,510
	18,859,079	1,683,825	5,860,239	998,123	412,145		27,872,921
Acquisition of subsidiaries	662,982	84,969	2,924,160	53	–		3,672,164
Depreciation and amortisation							
Property, plant and equipment	7,090,897	765,641	1,659,194	427,688	304,627	–	10,248,047
Right of use assets	2,151,492	170,800	113,097	88,179	42,728	–	2,566,296
Intangible assets	901,923	24,702	270,249	34,682	11,759	–	1,243,315
Unallocated							80,473
	10,144,312	961,143	2,042,540	550,549	359,114		14,138,131

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

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

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(restated)	*(restated)*	*(restated)*	*(restated)*	*(restated)*	*(restated)*	*(restated)*
Provision under expected credit loss model, net of reversal	2,949,789	767,800	(95,704)	278,926	70,406	–	3,971,217
Impairment of goodwill	5,624,980	–	24,243	–	189,282	–	5,838,505
Impairment of property, plant and equipment	2,365,835	614,166	61,306	–	16,993	–	3,058,300
Write down of inventories	145,455	2,742	27,459	873	–	–	176,529
Consolidated statement of financial position							
Assets							
Segment assets	234,136,823	38,197,655	54,896,037	55,386,247	3,897,215	–	386,513,977
Interests in associates	7,798,898	25,581	5,556,275	150,323	2,344,358	–	15,875,435
Interests in joint ventures	13,252	–	85,614	–	–	–	98,866
Unallocated assets							43,936,112
Total consolidated assets							446,424,390
Liabilities							
Segment liabilities	121,480,315	15,746,527	25,580,470	45,042,333	7,696,819	–	215,546,464
Unallocated liabilities							79,864,633
Total consolidated liabilities							295,411,097

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

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

(b) Geographical segments

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

Revenue from external customers

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

(c) Information of major customers

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

6. INVESTMENT AND OTHER INCOME, NET

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

Notes:

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

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

7. FINANCE COSTS, NET

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

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

8. PROFIT BEFORE INCOME TAX

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

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

9. INCOME TAX EXPENSE

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

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

PRC income tax is calculated at 25% (2019: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

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

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

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

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

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

10. DIVIDENDS

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

The final dividend of RMB3,964,342,211.14 in total (tax inclusive) has been proposed by the board of directors on 26 March 2021.

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

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

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares in issue	**8,434,771**	8,434,771

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

12. TRADE AND OTHER RECEIVABLES

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

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

Notes:

(a) The carrying amounts of the trade and other receivables approximate to their fair values. As at 1 January 2020, trade receivables from contacts with customers amounted to RMB45,612,953 million.

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

The ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice date is as follows:

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

BUSINESS HIGHLIGHTS

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

CEMENT SEGMENT

China United Cement

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

South Cement

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

North Cement

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

Southwest Cement

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

Sinoma Cement

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

Tianshan Cement

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

Ningxia Building Materials

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

Qilianshan

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

NEW MATERIALS SEGMENT

BNBM

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

China Jushi

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

Sinoma Science & Technology

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

China Composites

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

CHAIRMAN'S STATEMENT

Dear shareholders,

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

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

In the past year, under the leadership of the Board, the management and the entire staff of the Company made concerted efforts to overcome various difficulties, and our achievements were hard earned. At the same time, I hereby sincerely express my heartfelt gratitude to all our Shareholders for their lasting trust and great support. On behalf of the Board, I am pleased to present the Group's 2020 Annual Results and major results to you.

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

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

Cao Jianglin
Chairman

Beijing, the PRC
26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW

BUSINESS OVERVIEW

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

Business segments	Major products and services	Major operating entities	Direct and indirect equity interests attributable to the Company
Cement	NSP cement	China United Cement	100%
	Commercial concrete	South Cement	85.10%
	Aggregate	North Cement	70.00%
		Southwest Cement	79.93%
		Sinoma Cement	100%
		Tianshan Cement	45.87%
		Ningxia Building Materials	47.56%
		Qilianshan	25.04%
New materials	Dry wall and ceiling system	BNBM	37.83%
	Glass fiber	China Jushi	26.97%
	Wind power blade	Sinoma Science & Technology	60.24%
	Waterproof material	China Composites	100%
	Lithium battery separator	Sinoma Advanced	99.65%
		Sinoma Jinjing	50.01%
Engineering services	Design and engineering EPC services:	Sinoma International	40.03%
	Cement production lines	China Triumph	91.00%
	Glass production lines	Sinoma Mining	100%

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

2. On 1 March 2021, the Company signed the Equity Transfer Agreement in relation to South Cement Company Limited with Hu Zhaojuan, pursuant to which, the Company agreed to received the 0.27239% of equity interest in South Cement held by Hu Zhaojuan. The shareholding of the Company in South Cement increased from 84.82895% to 85.101134%. On 11 March 2021, South Cement has completed the change of industrial and business registration of the above transfer.

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

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

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

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

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

CEMENT SEGMENT

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

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

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

China United Cement

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

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

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

South Cement

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

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

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

North Cement

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

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

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

Southwest Cement

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

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

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

Sinoma Cement

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

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

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

Tianshan Cement

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

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

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

Ningxia Building Materials

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

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

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

Qilianshan

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

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

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

NEW MATERIALS SEGMENT

BNBM

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

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

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

China Jushi

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

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

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

Sinoma Science & Technology

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

Sinoma Science & Technology has actively adjusted market structure and product structure in fiberglass business, and achieved growth against the trend in production, sales and profit under the background of the global pandemic impact and increased risk challenges. It has steadily promoted the construction of high-end production capacity, and Manzhuang New Area 90,000 tonnes of high-performance glass fiber, 40,000 tonnes of alkali-resistant glass fiber production line have been put into operation. It has adhered to the independent research and development and innovation of core technologies, achieved certain key technological breakthroughs in low-dielectric glass fiber and super spun yarn, and supplied well-known domestic and oversea customers by mass production.

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

China Composites

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

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

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

Sinoma Advanced

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

ENGINEERING SERVICES SEGMENT

Sinoma International

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

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

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

China Triumph

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

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

Sinoma Mining

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

FINANCIAL REVIEW

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

Revenue

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

Cost of sales

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

Other income

Other income of the Group increased by 23.6% to RMB5,330.8 million in 2020 from RMB4,314.2 million in 2019. The major reason was the increase of revenue from the disposal of properties, plants and equipment and other assets of RMB1,014.6 million, the increase of profits by the disposal of subsidiaries or businesses of RMB858.8 million, the increase of VAT refund of RMB57.8 million, the increase of government grant of RMB55.8 million, partially offset by the decrease of net income arising from changes in fair value of financial assets at fair value through profit or loss of the Group of RMB1,314.3 million.

Selling and distribution costs

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

Administrative expenses

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

Finance costs

Finance costs decreased by 19.1% to RMB7,080.4 million in 2020 from RMB8,754.0 million in 2019, primarily due to the decrease in the borrowing costs and the decrease in borrowings.

Share of profits of associates

Our share of profits of associates increased by 33.1% to RMB3,273.0 million in 2020 from RMB2,458.4 million in 2019, primarily due to the increases in profits of our associates in the cement segment and profits of associate China Jushi.

Provision under expected credit loss model

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

Income tax expense

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

Profit attributable to non-controlling interests

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

Profit attributable to equity holders of the Company

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

Cement Segment

China United Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

South Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

North Cement

Revenue

Revenue of North Cement increased by 6.2% to RMB6,867.1 million in 2020 from RMB6,467.0 million in 2019, mainly attributable to the increase in the sales volume of cement products and commercial concrete, partially offset by the decrease in the average selling prices of cement products and commercial concrete.

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Southwest Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Sinoma Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Tianshan Cement

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Ningxia Building Materials

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Qilianshan

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

New Materials Segment

BNBM

Revenue

Revenue of BNBM increased by 26.9% to RMB16,242.1 million in 2020 from RMB12,801.8 million in 2019, mainly attributable to the new waterproof business for this period and increase in the sales volume of gypsum board, partially offset by the decrease in the average selling price of gypsum board.

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Sinoma Science & Technology

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

China Composites

Revenue

Revenue of China Composites increased by 71.1% to RMB5,414.1 million in 2020 from RMB3,163.7 million in 2019, mainly attributable to the increase in the average selling price and the sales volume of wind power blade.

Cost of sales

Cost of sales of China Composites increased by 60.4% to RMB4,246.1 million in 2020 from RMB2,647.7 million in 2019, mainly attributable to the increase in the sales volume of wind power blade.

Gross profit and gross profit margin

Gross profit of China Composites increased by 126.4% to RMB1,168.0 million in 2020 from RMB516.0 million in 2019. Gross profit margin of China Composites increased from 16.3% in 2019 to 21.6% in 2020, mainly attributable to the increase in the average selling price of wind power blade.

Operating profit

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

Sinoma Advanced

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Engineering Services Segment

Sinoma International

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

China Triumph

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Sinoma Mining

Revenue

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

Cost of sales

Cost of sales of Sinoma Mining increased by 29.5% to RMB4,153.8 million in 2020 from RMB3,208.1 million in 2019, mainly attributable to the increase in volume of completed engineering services in the year and the increase in the sales volume of aggregate.

Gross profit and gross profit margin

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

Operating profit

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

Liquidity and financial resources

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

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

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

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

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

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

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

Capital Expenditures

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

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

CASH FLOW FROM OPERATING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

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

CASH FLOW FROM FINANCING ACTIVITIES

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

OUTLOOK FOR 2021

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

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

2. Focus on development: consolidate the role of cement as "ballast stone", enhance the support of new materials and engineering services business, and further consolidate the "three pillars" industrial pattern.

   For cement sector, further promote the "Cement+". For new materials sector, consolidate market position, and establish advantageous industrial clusters. For engineering service sector, consolidate the market position, stably promote diversified projects and localization of overseas development.

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

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

CORPORATE GOVERNANCE REPORT

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

Except for Code Provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Code**"), the Company complied with the code provisions of the Code for the year from 1 January 2020 to 31 December 2020. All the Directors of the current session of the Board elected on 27 May 2016 were subject to retirement by rotation by 27 May 2019, according to Code Provision A.4.2 which states that every Director should be subject to retirement by rotation at least once every three years. However, as it affects the entire Board of Directors, many factors must be considered to ensure the smooth continuation of the senior management of the Company. Therefore, with the exception of the following Directors, the remaining Directors of the current session of the Board have not yet retired by rotation.

The former Directors, Mr. Song Zhiping and Mr. Guo Chaomin have resigned and Mr. Chang Zhangli has been re-designated from an executive Director to a non-executive Director. Shareholders elected Mr. Peng Jianxin as an executive Director, and Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan as non-executive Directors at the 2017 Annual General Meeting held on 13 June 2018. Mr. Peng Jianxin resigned with effect from 30 July 2019 as the Vice Chairman of the Company and an executive Director due to retirement. Ms. Xu Weibing resigned as a non-executive Director due to retirement. The resignation was effective from the approval of the Shareholders at the Extraordinary General Meeting held on 9 December 2019 of the appointment of Ms. Zhan Yanjing as a non-executive Director. Mr. Qian Fengsheng resigned as an independent non-executive Director for personal reasons. The resignation was effective from the approval of the Shareholders at the 2019 Annual General Meeting held on 22. May 2020 of the appointment of Mr. Li Jun as an independent non-executive Director. Shareholders elected Mr. Fu Jinguang as an executive Director at the 2020 first Extraordinary General Meeting held on 24 September 2020.

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

For the year ended 31 December 2020, the Company has publicly bought back the "17 CNBM 01" bonds in the Shanghai Stock Exchange. The repurchase price is the face value of the bond (RMB100 each bond) and the cancellation amount is RMB3,000,000,000, the bond has been fully repurchased; the Company has publicly bought back the "17 Sinoma 02" bonds on the Shanghai Stock Exchange. The repurchase price was face value of the bond (RMB100 each bond), the cancellation amount was RMB1,212,000,000, and the remaining amount is RMB288,000,000; the Company has publicly bought back the "15 CNBM MTN 001" bonds in the Shanghai Clearing House. The repurchase price is the face value of the bond (RMB100 each bond) and the cancellation amount is RMB5,000,000,000, the bond has been fully repurchased; the Company has publicly bought back the "17 CNBM 01" bonds in the Shanghai Stock Exchange. The repurchase price is the face value of the bond (RMB100 each bond) and the cancellation amount is RMB3,000,000,000, the bond has been fully repurchased.

Except for the aforementioned listed securities (have the meanings ascribed by the Listing Rules), for the year ended 31 December 2020, the Company and its subsidiaries had no other purchase, sale or redemption of listed securities of the Company.

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 securities transactions by Directors. The standard also applies to the Supervisors of the Company. Having made specific enquiry with all Directors and Supervisors, the Company confirms that each of the Directors and Supervisors has complied with the standards of the securities transactions by Directors as required by the Model Code and the Code for Securities Transactions of China National Building Material Company Limited during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Directors, of whom Mr. Li Jun (whose appointment was effective from 22 May 2020 to replace Mr. Qian Fengsheng whose resignation took effect on the same day) is the Chairman and both Mr. Liu Jianwen and Ms. Xia Xue are members. All the three members are independent non-executive Directors. Among them, Mr. Li Jun possesses professional qualifications and experience in accounting and related financial management. Such composition is in compliance with the requirements of the Listing Rules. The main duties of the Audit Committee include supervision of the financial reporting procedures of the Company, internal regulation and control as well as risk management work. During the Reporting Period, the Audit Committee has commenced work in accordance with the requirements of Chapter 14 of the Listing Rules. The Audit Committee has reviewed the financial report and results of the Group for the year ended 31 December 2020.

DIVIDENDS

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

The Company established and implemented the dividend policy in 2019: The Company should maintain sufficient cash reserves to meet the demand for funds, future growth and its equity value when recommending or declaring dividends. In addition to the declaration of dividends, the Board should also take into account of the financial performance, cash flow position, business status and strategy, future operation and income, capital demand and expense plan, Shareholders' benefits, limits on the dividend declaration and any other factors the Board may consider to be relevant. According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on Domestic Shares will be paid in Renminbi and dividends on Unlisted Foreign Shares and H Shares will be paid in Hong Kong dollars (except for the holders of H Shares who became Shareholders through the Shanghai-Hong Kong Stock Exchanges Connectivity Mechanism (the "**Shanghai-Hong Kong Stock Connect**") as well as the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (the "**Shenzhen-Hong Kong Stock Connect**"), whose dividend will be paid in RMB). The pre-tax dividend in Hong Kong dollars on each Unlisted Foreign Share and H share will be determined by applying the relevant exchange rate to the pre-tax dividend per share of RMB0.470 and rounding the result to the nearest HK$0.0001. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends by the annual general meeting.

The proposed final dividend is subject to approval at the annual general meeting to be held on Friday, 14 May 2021.

In accordance with tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the period from 1 January 2020 to 31 December 2020 (the "**2020 Final Dividend**") to holders of Unlisted Foreign Shares and all non-resident enterprise Shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise Shareholders) whose names appear on the H Share register of members of the Company on Wednesday, 26 May 2021.

Pursuant to the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong stock exchanges connectivity mechanism" (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai 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 2020 Final Dividend to the domestic corporate investors as the holders of H Shares whose names appear on the register of Shareholders of the Company on Wednesday, 26 May 2021 provided by China Securities Depository and Clearing Corporation Limited ("**China Clearing**"), the Company shall not withhold tax on dividend for the domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

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

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

As such, when distributing the 2020 Final Dividend to the domestic Individual H Shareholders (including domestic securities investment funds) whose names appear on the register of Shareholders of the Company on Wednesday, 26 May 2021 provided by China Clearing, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H Share register of members of the Company on Wednesday, 26 May 2021 (the "**Registered Address**"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

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

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the relevant shareholder shall proactively submit to the Company the information required under the "Administrative Measures on Preferential Treatment Entitled by Non-resident Taxpayers under Treaties" (Circular of State Taxation Admiration No. 35 of 2019) (《非居民納稅人享受協定待遇管理辦法》國家稅務總局公告2019年第35號) (the "**Measures on Tax Treaties**") on or before Thursday, 27 May 2021, requesting for enjoying the preferential treatment under the treaties and keeping the relevant information for record and further review. If the information submitted is complete, the Company will withhold and pay individual income tax pursuant to the relevant provisions in tax laws of the PRC and the tax treaties. If the relevant Individual H Shareholder does not provide the information or the information submitted is incomplete, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders.

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

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

If the domicile of an Individual H Shareholder is not the same as the registered address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Thursday, 27 May 2021. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and paying provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Measures on Tax Treaties if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are eligible to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 11 May 2021 to Friday, 14 May 2021 (both days inclusive), during such period no transfer of shares in the Company will be registered. To be eligible to attend and vote at the forthcoming Annual General Meeting, holders of H Shares whose transfers have not been registered shall lodge all the share transfer documents and relevant share certificates with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 10 May 2021 for share registration.

Shareholders whose names appear on the register of members on Wednesday, 26 May 2021 will be eligible for the final dividend. The register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (both days inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H Shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 20 May 2021 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Wednesday, 30 June 2021 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 26 May 2021.

MATERIAL TRANSACTIONS

Joint Venture with Henan Investment Group

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

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

Events after the Reporting Period

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

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

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

EMPLOYEE AND REMUNERATION POLICY

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

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

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

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

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 2020 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2020 will be posted on the website of the Stock Exchange (website: http://www.hkex.com.hk) on or before 30 April 2021. 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
"Carbon Neutrality"	the offset of carbon dioxide emissions through afforestation, energy conservation and other channels in order to achieve "zero emissions" of carbon dioxide

“Cement+”	to develop, optimize and expand cement, commercial concrete, aggregate businesses which are the extension of industry chain of cement-related products and the new focal point of profit growth
“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)
“CO2 Emission Peak”	carbon dioxide emissions no longer increase and have reached the peak, then gradually fall back
“Company” or “CNBM”	中國建材股份有限公司 (China National Building Material Company Limited)
“Digital Cement”	Digital Cement
“Digital Qilianshan 2.0”	the establishment of a digital Qilianshan management and control system by Qilianshan with one-stop, closed-loop management combining people, capital and property with production, supply and demand through integration and interconnection of information systems
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
“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
"Hong Kong Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
"IAS"	International Accounting Standards
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent from the Company or its connected persons (as defined in the Listing Rules)
"Individual H Shareholders"	Shareholders whose names appear on the register of Members of H Shares of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"management of three delicacies"	improve operating efficiency, enhance refined management and streamline the organizational structure
"MEE"	中華人民共和國生態環境部 (Ministry of Ecology and Environmental of the People's Republic of China)
"MES"	Manufacturing Execution System, a management system of information-based production aiming at execution on plant floors of manufacturers
"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
"one body, two wings and global layout"	"one body" means to take the gypsum board business as the core, do a good job in supporting extension business of "gypsum board +", promote our original "Luban" universal board assembly system for the whole house, and provide customers with technical solutions of "interior, exterior, ceiling and floor" innovative products; "two wings" means to develop waterproof materials and coatings business, enter into "ten times +" market, and cultivate main business in a strategic level; "global layout" means to take gypsum board as the leading product, gradually carry out the global layout of the entire product series, and build a world-class brand
"Parent"	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*) (previously known as 中國建築材料集團有限公司 China National Building Materials Group Corporation)
"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 2020 to 31 December 2020
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"security in six areas"	security in the following six areas: employment, people's livelihoods, the development of market entities, food and energy security, the stable operation of industrial and supply chains and the smooth functioning of society

"Shanshui Cement"	中國山水水泥集團有限公司 (China Shanshui Cement Group Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares, H Shares and Unlisted Foreign Shares
"Shareholder(s)"	holder(s) of Share(s)
"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 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 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)
"SRM"	Supplier Relationship Management
"stability on six fronts"	stability in the following six fronts: employment, finance, foreign trade, foreign investment, domestic investment and market expectations
"stability on three fronts, security in four areas and one enhancement"	stability on the three fronts: the stability of operation, industrial and enterprises; security in the four areas: the security of people's livelihood, major projects, production safety and high-quality development; one enhancement: the enhancement of Party building

"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Tianshan Cement"	新疆天山水泥股份有限公司 (Xinjiang Tianshan Cement Co., Ltd.*)
"two strivings"	striving for the continuous and rapid increase in the performance of most central enterprises and striving for the positive increase in the performance of central enterprises in general
"Unlisted Foreign Shares"	the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company

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

Beijing, the PRC
26 March 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai and Mr. Fu Jinguang as executive directors, Ms. Zhan Yanjing, 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. Li Jun and Ms. Xia Xue as independent non-executive directors.

* *For identification only*