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 2022

For the year ended 31 December 2022, the Group's audited consolidated operating revenue amounted to RMB230,168 million, representing a decrease of 16.5% as compared to the same period of 2021.

The audited profit attributable to equity holders of the Company amounted to RMB7,962 million, representing a decrease of 51.2% as compared to the same period of 2021.

Basic earnings per share was RMB0.944, representing a decrease of 51.2% as compared to the same period of 2021.

The Board hereby recommends the distribution of a final dividend of RMB3,188,343,310.24 in total (tax inclusive) for the period from 1 January 2022 to 31 December 2022 (2021: RMB5,845,296,068.77 in total (tax inclusive)) for Shareholders whose names appear on the Company's register of members on Wednesday, 10 May 2023, representing RMB0.378 per share (tax inclusive) (2021: RMB0.693 per share (tax inclusive)) based on the issued shares of the Company of 8,434,770,662 shares as at 24 March 2023. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 10 May 2023.

The Board is pleased to announce the consolidated results and the financial position of the Group for the year ended 31 December 2022 prepared in accordance with IFRS, together with the consolidated results and financial position for the year of 2021 for comparison.

The audited financial statements of the Group as of 31 December 2022 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 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000* (restated)
Revenue	*4*	**230,167,736**	275,618,608
Cost of sales		**(191,176,144)**	(209,892,459)
Gross profit		**38,991,592**	65,726,149
Investment and other income, net	*6*	**5,532,943**	6,527,001
Selling and distribution costs		**(3,592,869)**	(4,914,400)
Administrative expenses		**(20,605,342)**	(28,696,325)
Finance costs, net	*7*	**(5,967,461)**	(7,251,564)
Share of results of associates		**3,052,534**	4,021,638
Share of results of joint ventures		**(7,669)**	(4,320)
Impairment loss under expected credit loss model, net of reversal		**29,091**	(1,698,786)
Profit before income tax	*8*	**17,432,819**	33,709,393
Income tax expense	*9*	**(2,528,027)**	(7,995,602)
Profit for the year		**14,904,792**	25,713,791
Profit for the year attributable to:			
Owners of the Company		**7,961,585**	16,299,953
Holders of perpetual capital instruments		**688,550**	794,707
Non-controlling interests		**6,254,657**	8,619,131
		14,904,792	25,713,791
		RMB	*RMB* (restated)
Earnings per share – basic and diluted	*11*	**0.944**	1.932

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000 (restated)
Profit for the year		**14,904,792**	25,713,791
Other comprehensive income/(expense), net of tax:	*9(b)*		
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit obligations		**11,700**	(2,910)
Change in the fair value of equity instruments at fair value through other comprehensive income, net		**–**	1,186
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(75,430)**	(3,887)
Shares of associates' other comprehensive income		**55,791**	46,485
Shares of joint ventures' other comprehensive income/ (expense)		**3,300**	(1,050)
Change in the fair value on hedging instruments designated as cash flow hedges		**15,691**	10,312
Other comprehensive income for the year, net of tax		**11,052**	50,136
Total comprehensive income for the year		**14,915,844**	25,763,927
Total comprehensive income attributable to:			
Owners of the Company		**7,968,489**	16,414,058
Holders of perpetual capital instruments		**688,550**	794,707
Non-controlling interests		**6,258,805**	8,555,162
Total comprehensive income for the year		**14,915,844**	25,763,927

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	**2022**	2021	2020
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	(restated)
Non-current assets				
Property, plant and equipment		**193,666,744**	181,356,373	172,577,647
Right-of-use assets		**28,813,118**	29,348,488	30,043,076
Investment properties		**1,477,881**	965,215	857,163
Goodwill		**32,569,114**	32,323,232	33,290,321
Intangible assets		**28,932,891**	25,602,241	19,074,348
Interests in associates		**29,965,697**	26,838,190	19,282,589
Interests in joint ventures		**126,502**	131,348	98,018
Financial assets at fair value through profit or loss		**3,877,229**	2,524,452	2,529,357
Financial assets at fair value through other comprehensive income		**–**	–	7,526
Deposits		**2,549,440**	3,990,272	4,075,507
Trade and other receivables	*12*	**3,233,288**	3,606,558	11,931,922
Deferred income tax assets		**7,551,871**	6,295,681	6,566,355
Derivative financial instruments		**3,482**	–	–
		332,767,257	312,982,050	300,333,829
Current assets				
Inventories		**23,947,488**	21,433,752	20,560,838
Trade and other receivables	*12*	**85,261,541**	87,636,262	93,557,941
Financial assets at fair value through profit or loss		**7,637,051**	8,259,699	6,166,752
Derivative financial instruments		**28,069**	16,578	16,148
Amounts due from related parties		**2,795,371**	2,361,764	1,908,053
Pledged bank deposits		**4,004,621**	3,900,702	5,008,092
Cash and cash equivalents		**26,025,935**	27,409,750	30,099,887
		149,700,076	151,018,507	157,317,711
Assets classified as held-for-sale		**–**	–	195,843
		149,700,076	151,018,507	157,513,554

	Note	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)
Current liabilities				
Trade and other payables	13	**99,036,514**	98,730,509	98,328,643
Amounts due to related parties		**6,006,367**	5,089,736	4,911,764
Borrowings – amount due within one year		**77,530,998**	73,939,558	89,537,013
Lease liabilities		**377,650**	442,452	636,411
Derivative financial instruments		**21,822**	7,434	19,338
Employee benefits payable		**67,108**	33,397	1,564
Current income tax liabilities		**2,111,502**	4,008,558	4,797,007
Financial guarantee contracts		**–**	–	64,000
Dividend payable to non-controlling interests		**1,007,508**	1,303,025	314,913
		186,159,469	183,554,669	198,610,653
Net current liabilities		**(36,459,393)**	(32,536,162)	(41,097,099)
Total assets less current liabilities		**296,307,864**	280,445,888	259,236,730
Non-current liabilities				
Borrowings – amount due after one year		**96,547,625**	93,185,422	85,708,683
Deferred income		**2,364,781**	2,245,152	2,237,111
Lease liabilities		**1,832,376**	2,566,551	2,724,668
Employee benefits payable		**239,598**	217,027	240,878
Deferred income tax liabilities		**2,983,072**	2,954,380	2,333,848
Derivative financial instruments		**1,935**	–	–
		103,969,387	101,168,532	93,245,188
Net assets		**192,338,477**	179,277,356	165,991,542

	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	(restated)
Capital and reserves			
Share capital	**8,434,771**	8,434,771	8,434,771
Reserves	**97,539,974**	93,975,436	82,477,036
Equity attributable to:			
Owners of the Company	**105,974,745**	102,410,207	90,911,807
Holders of perpetual capital instruments	**15,820,411**	16,809,142	18,637,177
Non-controlling interests	**70,543,321**	60,058,007	56,442,558
Total equity	**192,338,477**	179,277,356	165,991,542

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 2022 have been agreed by the Group's auditor, Moore Stephens CPA Limited ("Moore Stephens"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens 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 Moore Stephens on the preliminary announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 and the assets classified as held for sale that are measured at the lower of carrying amount and fair value less cost to sell, as explained in accounting policies set out below.

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

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

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

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

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

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

Business combination under common control

On 21 November 2022, CNBM Investment Company Limited (a subsidiary of the Company) entered into two individual equity transfer agreements with China National Building Material Import and Export Co., Ltd. (a wholly-owned subsidiary of the Parent) to acquire 100% equity interests of China National Building Material International New Zealand Co., Ltd. ("CNBM New Zealand") and 100% equity interests of China National Building Material International Singapore Company ("CNBM Singapore") at a consideration of RMB36,642,000 ("CNBM New Zealand Acquisition") and RMB36,908,000 ("CNBM Singapore Acquisition"), respectively. The CNBM New Zealand Acquisition and CNBM Singapore Acquisition were completed on 30 November 2022 and since then CNBM New Zealand and CNBM Singapore have become subsidiaries of the Group.

As China National Building Material International New Zealand Co., Ltd. and China National Building Material International Singapore Company and the Company are controlled by the Parent, the CNBM New Zealand Acquisition and CNBM Singapore Acquisition have been accounted for based on the principles of merger accounting.

On 21 November 2022, CNBM Investment Company Limited (a subsidiary of the Company) entered into an equity transfer agreement with CNBM Elink Co., Ltd. (a wholly-owned subsidiary of China National Building Material Import and Export Co., Ltd., a wholly-owned subsidiary of the Parent) to acquire 100% equity interests of CNBM Overseas Economic Cooperation Co., Ltd. ("CNBM Oversea") at a consideration of RMB309,348,000 ("CNBM Oversea Acquisition"). The CNBM Oversea Acquisition was completed on 30 November 2022 and since then China Oversea has become a subsidiary of the Group.

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

On 21 November 2022, CNBM Investment Company Limited (a subsidiary of the Company) entered into an equity transfer agreement with Beijing New Building Material (Group) Co., Ltd. (a subsidiary of the Parent) to acquire 73.79% equity interests of Beijing New Building Materials Tanzania Company Limited ("BNBM Tanzania") at a consideration of RMB79,288,000 ("BNBM Tanzania Acquisition"). The BNBM Tanzania Acquisition was completed on 30 November 2022 and since then BNBM Tanzania has become a subsidiary of the Group.

As BNBM Tanzania and the Company is controlled by the Parent, the BNBM Tanzania Acquisition has been accounted for based on the principles of merger accounting.

On 25 November 2022, Sinoma International Engineering Co., Ltd. (a subsidiary of the Company") entered into an equity transfer agreement with China National Building Smart Internet of Things Company Limited (a wholly owned subsidiary of the Parent") to acquire 100% equity interests of CNBM Smart Industry Technology Co., Ltd. ("CNBM Smart") at a consideration of RMB377,000,000 ("CNBM Smart Acquisition"). The CNBM Smart Acquisition was completed on 31 December 2022 and since then CNBM Smart has become a subsidiary of the Group.

As CNBM Smart and the Company is controlled by the Parent, the CNBM Smart 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 2021 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2021.

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

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

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

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

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

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

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

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

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures[3]
Amendment to IFRS 16	Lease Liability in Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective for annual periods beginning on or after a date to be determined

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

3. 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 directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal subsidiaries

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

BNBM is a subsidiary of the Group although the Group has only 37.83% (2021: 37.83%) equity interests and voting rights in BNBM. BNBM is listed on the stock exchange of Shenzhen, PRC. The remaining 62.17% (2021: 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 47.77% (2021: 48.78%) equity interests and voting rights in Sinoma International. Sinoma International is listed on the stock exchange of Shanghai, PRC. The remaining 52.23% (2021: 51.22%) 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 49.03% (2021: 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 50.97% (2021: 52.44%) equity interests of Ningxia Building Materials 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 20.95% (2021: 20.95%) 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 79.05% (2021: 79.05%) voting rights are owned by thousands of shareholders that are unrelated to the Group.

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

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% (2021: 12.74%) equity interests in Shanghai Yaohua. The Group has significant influence over Shanghai Yaohua by virtue of the contractual right to appoint 1 out of the 4 directors to the board of directors of that company.

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

Gansu Shangfeng is an associate of the Group although the Group only owns 14.40% (2021: 14.40%) equity interests in Gansu Shangfeng. The Group has significant influence over Gansu Shangfeng by virtue of the contractual right to appoint 1 out of the 5 directors to the board of directors of that company.

China Shanshui Cement Group Limited (中國山水水泥集團有限公司) (“Shanshui Cement”)

Shanshui Cement is an associate of the Group although the Group only owns 12.94% (2021: 12.94%) equity interests in Shanshui Cement. The Group has significant influence over Shanshui Cement by virtue of the contractual right to appoint 1 out of the 5 directors to the board of directors of that company.

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, right-of-use assets and intangible assets

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

As at 31 December 2022, the carrying amounts of property, plant and equipment, right-of- use assets and intangible assets were RMB193,666.74 million, RMB28,813.12 million and RMB28,932.89 million (2021 (restated): RMB181,356.37 million, RMB29,348.49 million and RMB25,602.24 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 RMB194.64 million (2021: approximately RMB181.86 million) is made to write down the cost of inventories to their net realisable values.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss/further impairment loss may arise. As at 31 December 2022, the carrying amount of goodwill is approximately RMB32,569.11 million (2021: approximately RMB32,323.23 million).

Deferred tax asset

As at 31 December 2022, a deferred tax asset of approximately RMB1,701.63 million (2021: approximately RMB600.55 million) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB20,447.80 million (2021: approximately RMB21,551.66 million) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Provision of ECL for trade receivables and contract assets

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

The provision of ECL is sensitive to changes in estimates.

Fair value measurements and valuation processes

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

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

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

4. REVENUE

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Sale of goods	**195,356,743**	235,630,115
Provision of engineering services	**31,371,778**	35,388,106
Rendering of other services	**3,439,215**	4,600,387
	230,167,736	275,618,608

5. SEGMENTS INFORMATION

(a) Operating segments

For management purpose, the Group was organised into five major operating divisions during the year – cement, concrete, new materials, engineering technical 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 technical services	–	Cement and mining technical equipment and engineering services, transportation and repairment
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 2022 and 2021.

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

For the year ended 31 December 2022

	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	110,468,111	36,130,482	45,287,991	–	7,158,123	–	199,044,707
Over time	–	–	–	31,123,029	–	–	31,123,029
	110,468,111	36,130,482	45,287,991	31,123,029	7,158,123	–	230,167,736
Inter-segment sales (Note)	1,121,148	1,020	359,762	6,986,649	16,346,091	(24,814,670)	–
	111,589,259	36,131,502	45,647,753	38,109,678	23,504,214	(24,814,670)	230,167,736
Adjusted EBITDA	19,863,938	3,232,353	10,445,646	2,795,246	(680,919)	–	35,656,264
Depreciation and amortisation	(11,669,260)	(707,496)	(2,511,241)	(362,245)	(306,320)	–	(15,556,562)
Unallocated other income, net							291,785
Unallocated administrative expenses							(36,072)
Share of results of associates	549,278	74	170,149	9,264	2,323,769	–	3,052,534
Share of results of joint ventures	150	–	(7,424)	–	(395)	–	(7,669)
Finance costs, net	(3,713,549)	(1,356,522)	(615,031)	(980)	(304,430)	–	(5,990,512)
Unallocated finance costs, net							23,051
Profit before income tax							17,432,819
Income tax expense							(2,528,027)
Profit for the year							14,904,792

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

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

	Cement	Concrete	New materials	Engineering services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information						
Addition to non-current assets:						
Property, plant and equipment	16,413,114	1,079,203	7,247,238	698,744	326,566	25,764,865
Right-of-use assets	715,270	61,187	725,025	20,873	189,431	1,711,786
Intangible assets	4,694,590	3,924	277,627	55,385	1,058	5,032,584
Unallocated						17,729
	21,822,974	1,144,314	8,249,890	775,002	517,055	32,526,964
Acquisition of subsidiaries	625,934	1,566	108,733	270,355	887,251	1,893,839
Depreciation and amortisation						
Property, plant and equipment	7,815,046	539,095	2,239,358	295,239	237,337	11,126,075
Right-of-use assets	2,153,083	157,559	160,607	31,654	47,541	2,550,444
Intangible assets	1,701,133	10,842	111,276	35,352	21,441	1,880,044
Unallocated						39,568
	11,669,262	707,496	2,511,241	362,245	306,319	15,596,131
(Reversal of impairment loss)/impairment loss under expected credit loss model, net of reversal	(249,668)	(6,417)	194,222	18,601	14,171	(29,091)
Impairment of goodwill	1,717	–	51,352	67,765	286	121,120
Impairment of property, plant and equipment	175,443	24,133	67,865	–	951	268,392
Impairment of Intangible assets	29,930	–	30,240	–	–	60,170
Write down of inventories	109,000	3,184	57,545	5,075	19,837	194,641

	Cement	Concrete	New materials	Engineering services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated statement of financial position						
Assets						
Segment assets	240,948,103	52,303,553	69,253,978	30,450,318	8,718,403	401,674,355
Interests in associates	10,251,788	–	1,341,080	504,817	17,868,012	29,965,697
Interests in joint ventures	30,595	–	95,907	–	–	126,502
Unallocated assets						50,700,779
Total consolidated assets						482,467,333
Liabilities						
Segment liabilities	138,075,023	18,617,683	31,982,319	24,883,696	8,782,005	222,340,726
Unallocated liabilities						67,788,130
Total consolidated liabilities						290,128,856

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

For the year ended 31 December 2021

	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	135,098,705	50,760,299	45,258,149	2,674,857	6,172,667	–	239,964,677
Over time	–	–	–	35,653,931	–	–	35,653,931
	135,098,705	50,760,299	45,258,149	38,328,788	6,172,667	–	275,618,608
Inter-segment sales (Note)	2,443,067	59,120	326,223	8,921,361	7,051,767	(18,801,538)	–
	137,541,772	50,819,419	45,584,372	47,250,149	13,224,434	(18,801,538)	275,618,608
Adjusted EBITDA	34,076,518	3,466,055	11,304,081	2,357,498	453,883	–	51,658,035
Depreciation and amortisation	(10,390,831)	(1,052,524)	(2,468,595)	(672,657)	(163,981)	–	(14,748,588)
Unallocated other income, net							60,468
Unallocated administrative expenses							(26,276)
Share of results of associates	1,403,790	19,810	115,636	24,566	2,457,836	–	4,021,638
Share of results of joint ventures	(671)	–	(3,649)	–	–	–	(4,320)
Finance costs, net	(4,395,464)	(1,070,770)	(641,009)	(505,089)	(284,459)	–	(6,896,791)
Unallocated finance costs, net							(354,773)
Profit before income tax							33,709,393
Income tax expense							(7,995,602)
Profit for the year							25,713,791

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

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

	Cement *RMB'000* (restated)	Concrete *RMB'000* (restated)	New materials *RMB'000* (restated)	Engineering services *RMB'000* (restated)	Others Eliminations *RMB'000* (restated)	Total *RMB'000* (restated)
Other information						
Additions to non- current assets:						
Property, plant and equipment	19,413,106	1,581,474	5,426,924	1,001,903	186,662	27,610,069
Right-of-use assets	1,035,707	220,053	389,944	184,082	18,816	1,848,602
Intangible assets	6,348,319	582,134	531,313	501,828	2,029	7,965,623
Unallocated						42,082
	26,797,132	2,383,661	6,348,181	1,687,813	207,507	37,466,376
Acquisition of subsidiaries	6,991,658	2,479	263,075	–	73,026	7,330,238
Depreciation and amortisation						
Property, plant and equipment	7,200,491	512,410	2,090,743	405,330	131,016	10,339,990
Right-of-use assets	2,062,679	155,166	140,188	21,300	21,769	2,401,102
Intangible assets	1,127,661	384,948	237,664	246,027	11,198	2,007,498
Unallocated				–	–	78,759
	10,390,831	1,052,524	2,468,595	672,657	163,983	14,827,349
Impairment loss/(reversal of impairment loss) under expected credit loss model, net of reversal	523,083	1,026,296	(303,256)	385,278	67,385	1,698,786
Impairment of goodwill	1,879,962	934,302	–	49,566	–	2,863,830
Impairment of property, plant and equipment	1,578,134	439,116	91,546	19,935	62,627	2,191,358
Write down of inventories	54,787	4,183	97,732	13,982	11,172	181,856

	Cement	Concrete	New materials	Engineering services	Others Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Consolidated statement of financial position						
Assets						
Segment assets	236,960,704	53,195,596	64,192,085	28,621,636	7,143,860	390,113,881
Interests in associates	12,195,603	65,257	7,745,747	3,495,095	3,336,488	26,838,190
Interests in joint ventures	30,840	–	100,508	–	–	131,348
Unallocated assets						46,917,138
Total consolidated assets						464,000,557
Liabilities						
Segment liabilities	131,545,710	17,922,262	31,122,629	25,345,052	7,211,166	213,146,819
Unallocated liabilities						71,576,382
Total consolidated liabilities						284,723,201

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

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Adjusted EBITDA for reportable segments	**36,337,183**	51,204,152
Adjusted EBITDA for other segments	**(680,919)**	453,883
Total segments profit	**35,656,264**	51,658,035
Depreciation of property, plant and equipment	**(11,126,075)**	(10,339,990)
Amortisation of in right-of-use assets	**(2,550,444)**	(2,401,102)
Amortisation of intangible assets	**(1,880,043)**	(2,007,496)
Corporate items	**255,713**	34,192
Operating profit	**20,355,415**	36,943,639
Finance costs, net	**(5,967,461)**	(7,251,564)
Share of results of associates	**3,052,534**	4,021,638
Share of results of joint ventures	**(7,669)**	(4,320)
Profit before income tax	**17,432,819**	33,709,393

(b) Geographical segments

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

Revenue from external customers

	2022 *RMB'000*	2021 *RMB'000* (restated)
PRC	**207,831,310**	257,516,623
Europe	**1,784,834**	2,674,757
Middle East	**1,954,332**	1,359,731
Southeast Asia	**3,701,657**	2,766,237
Oceania	**2,604,188**	1,054,907
Africa	**9,341,438**	9,160,696
Americas	**1,587,602**	213,406
Others	**1,362,375**	872,251
	230,167,736	275,618,608

(c) Information of major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2022 and 2021.

6. INVESTMENT AND OTHER INCOME, NET

	2022 RMB'000	2021 RMB'000 (restated)
Dividends from financial assets at fair value through profit or loss	**222,644**	111,919
Discount on acquisition of interests in subsidiaries	**–**	17,709
Government subsidies:		
– VAT refunds *(Note (a))*	**1,035,590**	1,410,559
– Government grants *(Note (b))*	**1,335,419**	1,334,201
– Interest subsidy	**15,943**	173
Gain on disposal of subsidiaries, net	**1,966**	626,319
Gain on deemed disposal of subsidiaries	**290,008**	–
Gain on disposal of associates, net	**29,201**	96,181
Gain on disposal of other investments	**(79,476)**	49,485
Decrease in fair value of financial assets at fair value through profit or loss, net	**(1,687,499)**	(132,122)
(Decrease)/increase in fair value of derivative financial instruments, net	**(17,041)**	14,661
Net rental income from:		
– Investment properties	**130,838**	54,962
– Land and building	**84,303**	52,294
– Equipment	**12,904**	167,503
Gain on disposal of property, plant and equipment	**1,798,136**	818,150
Gain on disposal of intangible assets	**1,274,565**	289,477
Technical and other service income	**566,329**	656,647
Claims received	**93,788**	672,455
Waiver of payables	**141,783**	165,994
Others	**283,542**	120,434
	5,532,943	6,527,001

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. There are no specific conditions that are needed to be fulfilled for receiving such government grants.

7. FINANCE COSTS, NET

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Interest expenses on bank borrowings	**4,389,024**	4,961,997
Interest expenses on bonds and other borrowings	**2,449,776**	3,213,552
Interest on lease liabilities	**210,949**	212,231
Less: interest capitalised to construction in progress	**(261,513)**	(250,238)
	6,788,236	8,137,542
Interest income:		
– interest on bank deposits	**(589,397)**	(567,897)
– interest on loans receivables	**(231,378)**	(318,081)
	(820,775)	(885,978)
Finance costs, net	**5,967,461**	7,251,564

Borrowing costs capitalised for the year ended 31 December 2022 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.46% (2021: 3.43%) per annum to expenditure on the qualifying assets.

8. PROFIT BEFORE INCOME TAX

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

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Depreciation of:		
Property, plant and equipment	**11,126,075**	10,392,032
Investment properties	**39,568**	26,283
Right-of-use assets	**2,550,444**	2,401,102
	13,716,087	12,819,417
Amortisation of intangible assets	**1,880,044**	2,007,932
Total depreciation and amortisation	**15,596,131**	14,827,349
Impairment loss on goodwill*	**121,120**	2,863,830
Impairment loss on property, plant and equipment*	**268,392**	2,191,358
Impairment loss on intangible assets*	**60,170**	149,772
Loss on goodwill from deregistration of subsidiaries	**28,171**	40,637
Cost of inventories recognised as expenses	**195,469,816**	200,947,478
Gain on disposal of property, plant and equipment, investment properties and intangible assets, net	**(3,072,701)**	(1,107,627)
Auditor's remuneration		
– Audit services	**5,350**	9,768
– Non-audit service	**1,089**	1,528
Total auditor's remuneration	**6,439**	11,296
Staff costs including directors' remunerations		
– Salaries, bonus and other allowances	**19,833,436**	20,795,899
– Equity-settled share-based payment expenses	**42,681**	–
– Retirement plan contributions	**2,424,844**	2,304,556
Total staff costs	**22,300,961**	23,100,455
Write down of inventories	**194,641**	181,856
Net foreign exchange (gain)/loss	**(240,608)**	688,288

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

9. INCOME TAX EXPENSE

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

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Current income tax	**3,858,632**	7,999,935
Deferred income tax	**(1,330,605)**	(4,333)
	2,528,027	7,995,602

PRC income tax is calculated at 25% (2021: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

The tax charge for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss as follows:

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Profit before income tax	**17,432,819**	33,709,393
Tax at domestic income tax rate of 25% (2021: 25%)	**4,358,205**	8,427,348
Tax effect of:		
Share of results of associates	**(763,133)**	(1,005,409)
Share of results of joint ventures	**1,917**	1,080
Tax effect of expenses not deductible for tax purposes	**1,579,231**	1,347,913
Tax effect of income not taxable for tax purposes	**(1,976,533)**	(704,268)
Tax effect of tax losses not recognised	**1,430,063**	1,665,919
Utilisation of tax losses previously not recognised	**(755,181)**	(339,035)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note)*	**(2,652)**	(23,726)
Effect of different tax rates of subsidiaries	**(1,343,890)**	(1,374,220)
	2,528,027	7,995,602

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.

9. INCOME TAX EXPENSE *(CONTINUED)*

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

	2022			2021		
	Before taxation *RMB'000*	**Taxation (charged)/ credited** *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	**11,923**	**(223)**	**11,700**	(3,122)	212	(2,910)
Change in the fair value of equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	1,395	(209)	1,186
Currency translation differences	**(75,467)**	**37**	**(75,430)**	(3,887)	–	(3,887)
Share of associates' other comprehensive income	**55,791**	**–**	**55,791**	46,485	–	46,485
Share of joint ventures' other comprehensive income/(expense)	**3,300**	**–**	**3,300**	(1,050)	–	(1,050)
Change in the fair value on hedging instruments designated as cash flow hedges	**18,152**	**(2,461)**	**15,691**	12,132	(1,820)	10,312
Other comprehensive income/ (expense)	**13,699**	**(2,647)**	**11,502**	51,953	(1,817)	50,136

10. DIVIDENDS

	2022 *RMB'000*	2021 *RMB'000*
Dividends paid – RMB0.693 (2021: RMB0.47) per share by the Company	**5,845,296**	3,964,342
Proposed final dividend – RMB0.378 (2021: RMB0.693) per share by the Company (see below)	**3,188,343**	5,845,296

The final dividend of RMB3,188,343,000 in total (pre-tax) has been proposed by the board of directors on 24 March 2023 and is 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:

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Profit attributable to owners of the Company	**7,961,585**	16,299,833

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares in issue	**8,434,771**	8,434,771

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

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Trade receivables, net of allowance for credit losses *(Note (a))*	**52,747,528**	49,819,063
Bills receivable *(Note (b))*	**13,984,603**	18,934,902
Contract assets	**3,370,320**	3,668,274
Other receivables, deposits and prepayments	**18,392,378**	18,820,581
	88,494,829	91,242,820

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Analysed for reporting purposes:		
Non-current portion	**3,233,288**	3,606,558
Current portion	**85,261,541**	87,636,262
	88,494,829	91,242,820

Notes:

(a) 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:

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Within two months	**13,564,947**	9,073,836
More than two months but within one year	**21,539,987**	28,564,009
Between one and two years	**11,751,176**	8,938,296
Between two and three years	**3,362,952**	2,106,974
Over three years	**2,528,466**	1,135,948
	52,747,528	49,819,063

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

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

	2022	2021
	RMB'000	*RMB'000*
		(restated)
RMB	**81,354,289**	85,643,799
EUR	**3,242,798**	3,805,322
USD	**2,314,746**	1,196,154
HKD	**–**	58,976
Others	**1,582,996**	538,569
	88,494,829	91,242,820

(d) As at 31 December 2022, approximately RMB1,876.62 million of bills receivable (2021: approximately RMB1,561.65 million of bill receivable and approximately RMB25.36 million of trade receivables) are pledged to secure bank borrowings granted to the Group.

13. TRADE AND OTHER PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Within two months	**21,122,767**	10,160,472
More than two months but within one year	**21,774,345**	23,913,965
Between one and two years	**3,017,135**	2,722,046
Between two and three years	**713,030**	1,230,015
Over three years	**2,043,556**	2,079,748
Trade payables	**48,670,833**	40,106,246
Bills payable	**17,063,717**	18,746,322
Contract liabilities	**9,825,584**	12,324,055
Other payables	**23,476,380**	27,553,886
	99,036,514	98,730,509

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

Bills payable are aged within six months.

BUSINESS HIGHLIGHTS

The major operating data of the Group in 2022 and 2021 are set out below:

BASIC BUILDING MATERIALS SEGMENT

	For the year ended 31 December		
	2022	2021	Growth rate
Sales volume – cement *(in thousand tonnes)*	**281,523**	332,131	-15.2%
Sales volume – clinker *(in thousand tonnes)*	**35,080**	40,401	-13.2%
Total sales of cement and clinker *(in thousand tonnes)*	**316,603**	372,532	-15.0%
Average selling price – cement *(RMB per tonne)*	**334.9**	359.1	-6.7%
Average selling price – clinker *(RMB per tonne)*	**311.8**	313.0	-0.4%
Average selling price of cement and clinker *(RMB per tonne)*	**332.4**	354.1	-6.1%
Sales volume – commercial concrete *(in thousand m³)*	**84,702**	111,832	-24.3%
Average selling price – commercial concrete *(RMB per m³)*	**426.7**	454.4	-6.1%
Sales volume – aggregate *(in thousand tonnes)*	**131,276**	103,818	26.4%
Average selling price – aggregate *(RMB per tonne)*	**44.6**	47.2	-5.5%

NEW MATERIALS SEGMENT

	For the year ended 31 December		
	2022	2021	Growth rate
Gypsum board			
Sales volume *(in million m²)*	**2,092.7**	2,378.4	-12.0%
Average selling price *(RMB per m²)*	**6.19**	5.65	9.6%
Glass fiber yarn			
Sales volume *(in thousand tonnes)*	**2,901**	3,092	-6.2%
Average selling price *(RMB per tonne)*	**6,298**	6,106	3.1%
Wind power blade			
Sales volume *(MW)*	**20,621**	15,887	29.8%
Average selling price *(RMB per MW)*	**462,076**	618,662	-25.3%
Lithium battery separator			
Sales volume *(in million m²)*	**1,133.3**	685.4	65.3%
Average selling price *(RMB per m²)*	**1.65**	1.64	0.6%
Waterproofing membrane			
Sales volume *(in million m²)*	**135.1**	154.0	-12.3%
Average selling price *(RMB per m²)*	**15.99**	16.54	-3.3%
Carbon fiber			
Sales volume *(in thousand tonnes)*	**9.37**	6.14	52.6%
Average selling price *(RMB per tonne)*	**211,246**	189,419	11.5%

ENGINEERING TECHNOLOGY SERVICE SEGMENT

	For the year ended 31 December		
	2022	2021	Growth rate
Engineering service income *(RMB in millions)*	**38,109.7**	47,250.1	-19.3%

CHAIRMAN'S STATEMENT

Dear Shareholders,

Time and tide wait for no man and we have gone through an extremely extraordinary, unusual and uncommon 2022. Over the past year, with the trust and support of our Shareholders, the Board has actively exerted the functions of setting strategies, making decisions and preventing risks, and the management, together with all staff members, has worked hard and concentrated their efforts to overcome hardships with toughness and strived for progress under pressure. On behalf of the Board, I am going to present the Company's major results for the year to Shareholders for your review. I would also like to express my sincere gratitude to all parties concerned for your long-standing interest in and support for the development of the Company.

In 2022, in the face of the difficult international environment and the daunting task of domestic reform, development and stability, the Chinese government increased its efforts in macro policy adjustments, and effectively responded to the "triple pressure" of demand reduction, supply shocks and weakened expectations and the impact of unexpected factors. The GDP was RMB121.02 trillion, representing a year-on-year increase of 3.0%. The stable economic performance was achieved and the quality of development steadily improved.

We focused on production and operation, and built a solid foundation of benefits with resilience, and our operating results were in line with expectations. The basic building materials business strengthened the foundation of benefits, the new materials business achieved a new high operating result, and the engineering services business continued to be consolidated and improved.

We focused on the internal work of management, with the determination of rational improvement to tap into the potential to consolidate the quality of development. We focused on specialized analysis and research of investment management and enhanced the logic and model of different types of investment, such as maintainability, strategy and expansion. We deepened the potential of cost reduction and benefit increase, and the three expenses achieved a significant year-on-year decrease.

We promoted industrial transformation and upgrade in a comprehensive manner. The second phase of business integration of the basic building materials segment has been progressing steadily, the hierarchical layout of the new materials segment has been being gradually optimized, and the engineering services segment has successfully completed the integration of operation and maintenance business and promoted the integration of equipment business.

We focused on innovation and transformation. We sought new and changeable pace, continuously achieved breakthrough in scientific and technological innovation, enhanced the leading advantages, completed a number of scientific and technological tasks, achieved breakthroughs in a number of crucial core technologies. The green low-carbon transformation continued to progress, accelerating the deployment of a number of green low-carbon demonstration and green energy projects. The digital transformation continued to speed up, strengthening top-level design.

We focused on achieving breakthroughs in reform, stimulated the energy and effectiveness, successfully concluded the three-year reform of state-owned enterprises, and developed the reform of operation mechanism to a deeper level. We focused on carrying out business led by party building, continued to adhere to fostering cooperate spirit through solid foundation, studied and implemented the spirit of the 20th Party Congress, and guided high-quality development with high-quality party building.

Recollecting the past, we have continued to develop amidst the difficulties, insisting on seeking progress while remaining stable and improving quality during the process. The Group's consolidated operating revenue for the year 2022 was RMB230,168 million, representing a year-on-year decrease of 16.5%. Profit attributable to equity owners of the Company amounted to RMB7,962 million, representing a year-on-year decrease of 51.2%.

Looking ahead, the future is promising. 2023 is the opening year of the comprehensive implementation of the spirit of the 20th Party Congress and the critical year for the implementation of the 14th Five-Year Plan, where opportunities and challenges coexist. From an international point of view, the century-long change is accelerating, with conflicts in political, economic and social fields overlapping each other, and uncertainty will become a normal state. From the domestic point of view, the foundation of economic recovery is not yet firm, the triple pressure, which includes demand contraction, supply shock and the weakened expectations, is still relatively large, but the economy in China is resilient and has great potential, and the fundamentals of China's positive long-term economic prospects remain unchanged; with the continued release of policy effects and the gradual improvement in the confidence of the market, the foundation of economic recovery will be further strengthened and the target for annual GDP growth is approximately 5%. From the industry point of view, the characteristics such as slowdown in demand, excessive capacity and high costs are obvious, and the task of optimizing the ecosystem, removing excessive capacity and reducing costs is difficult, but with the aggregated force of the existing policies and new policies, the demand side is expected to rebound in general, and the structural reform on the supply side will be further promoted, and the development prospects of the industry are promising.

In 2023, we will integrate the new situation with new tasks, aim at building a world-class material enterprise, improving core competitiveness and enhancing core function positioning as the two cores of high quality development, and seek progress amidst stability. "Stabilizing growth", to seek progress amidst stability to strengthen high-quality development, grasp the opportunity of the overall improvement of the domestic economy, closely monitor the changes in the current situation, and to obtain benefits from market development, the management of three delicacies and collaborative benchmarking. "Seizing innovation", to drive high-quality development with scientific and technological innovation, create national strategic scientific and technological forces, deeply promote the industrialization of scientific and technological achievements, and accelerate the release of new momentum of digitalization. "Optimizing the industry", to promote high-quality development by industrial upgrading, basic building materials segment highlights the consolidation, optimization and upgrading, new materials segment highlights the enhancement, reinforcement and expansion, engineering services segment highlights the upgrading, iteration and expansion; the three main principal businesses are strengthened and the construction of modern industrial system is accelerated, the "Dual Carbon" work is firmly promoted, internationalization is steadily promoted, and the construction of new development landscape is actively facilitated.

“Facilitating reform”, to empower high-quality development by deepening reform, continue to deepen the reform of governance mechanism, strengthen professional integration, accelerate the optimization and adjustment of the layout of state-owned capital, and deepen the reform of market-oriented operation mechanism. “Preventing risks”, to safeguard high-quality development with risk prevention and control, focus on key areas and links, improve risk control mechanisms, optimize internal control process, and deepen compliance management. “Strengthening party building”, to guide high-quality development by strengthening party building, comprehensively studying, seizing and implementing the spirit of the 20th Party Congress, and guiding high-quality development by high-quality party building.

We are in a period of adaptation to cope with uncertainty, a period of change to accelerate adjustment and reform, a period of leap from high-speed growth to high-quality development, and a period of growth to accelerate the construction of a world-class materials enterprise. We will take continuous innovation as the driving force, bearing in mind the country’s most fundamental interests, creating “great material of the country”, promote high-quality development in a comprehensive manner, and strive for value creation and shareholders’ returns.

Zhou Yuxian
Chairman

Beijing, the PRC
24 March 2023

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 31 December 2022 are summarized as follows:

Business segments	**Major operating entities**	**Direct and indirect equity interests attributable to the Company**	**Major products and services**
Basic building materials	New Tianshan Cement	84.52%	Cement, Commercial concrete, Aggregate
	Ningxia Building Materials	49.03%	Cement, Commercial concrete, Aggregate, Intelligent logistics
	Qilianshan	26.73%	Cement, Commercial concrete, Aggregate
New materials	BNBM	37.83%	Gypsum board, Stud, Waterproof, Coating
	China Jushi	26.97%	Glass fiber
	Sinoma Science & Technology	60.24%	Glass fiber, Wind power blade, Lithium battery separator, Hydrogen Energy Cylinders
	China Composites	100%	Wind power blade, Carbon fiber
	CNBM Graphite	100%	Graphite new materials
Engineering technical services	Sinoma International	47.77%	Cement and mining technical equipment and engineering services, Transportation and repairment
Others	CNBM Investment	100%	Overseas warehouse (including overseas chain stores), Resources development, Logistics, Investment

DEVELOPMENT ENVIRONMENT

In 2022, the triple pressure from shrinking demand, supply shock and weakening expectations persisted, and the complexity, severity and uncertainty of the development environment increased. The Chinese government increased its macro-control efforts and effectively dealt with the impact of factors beyond expectation, so that the operation of the economy was generally stable and new accomplishments of high-quality development was achieved. In 2022, the GDP was RMB121.02 trillion, representing a year-on-year increase of 3.0%, which was faster than most major economies; fixed asset investment amounted to RMB57.21 trillion, representing a year-on-year increase of 5.1% and showing a steady growth; investment in infrastructure was moderately advanced and infrastructure investment increased by 9.4% year-on-year, representing an increase of 9.0 percentage points compared to 2021; real estate investment declined markedly by 10.0% year-on-year; steady progress has been made in urbanization and the urbanization rate of the resident population was 65.2% at the end of 2022, representing an increase of 0.5 percentage points compared to the end of 2021.

Promoting green and low-carbon economic and social development is the key to achieving high-quality development. The report of the 20th Party Congress made new deployment of "Dual Carbon" and emphasized that the realization of "carbon emissions peak, carbon neutrality" is an extensive and profound economic and social systemic reform, which should be carried out in a planned and orderly manner to actively and steadily implement the action of carbon emissions peak. We will expedite the establishment of a sound green, low-carbon and cyclical economic system, which will bring new development opportunities and challenges for the structural reform of the industry supply side and the transformation and upgrading of the industry.

CEMENT SEGMENT

OPERATION IN 2022

Basic building materials segment

In 2022, in the face of factors such as the continued decline of the real estate market, and the increasing downward pressure on the economy, demand showed characteristics of "overall sluggishness throughout the year, demand was not high in peak season and even weaker off-season", and cement production fell by 10.5% year-on-year to 2.13 billion tons, which was the lowest in the past decade. The downturn in demand has further aggravated the contradiction of overcapacity in the industry, with prices running low, coupled with a sharp rise in the cost of coal and other elements leading to escalating production costs, the production and operation situation was extremely critical. Industry profits declined significantly, with the total profit of cement industry being approximately RMB68.0 billion in 2022, representing a year-on-year decrease of approximately 60%.

The Group is proactively responding to the severe economic and industry conditions, and is taking the initiative to adapt to the situation and making adjustment. As for the industry, we are determined to promote supply-side structural reform, make every effort to maintain the ecosystem of the industry, and promote precise staggering peak production in the sub-region, and increase the intensity of peak staggering. As for the market, we have continued to strengthen market construction and business development around stabilizing the market and price to keep our market share, seize major national projects, and promote strategic cooperation with central enterprises and other large enterprises. As for the operation, we have strived to promote management improvement activities against world-class standards, promote lean production and reduce energy consumption; promote procurement refinement management, implement direct procurement, centralized procurement and platform procurement to offset the impact of increasing coal costs; strengthen financial refinement management, promote capital centralization and financing management to reduce financial costs. As for strategies, we deepened our "Cement+" strategy, strengthened our professional management of commercial concrete, and increased our production capacity of aggregates by 54.0 million tons.

The integration of the basic building materials segment proceeded smoothly and orderly. 2022 was the first full year of integration of New Tianshan Cement. In accordance with the principle of "strategic matching, coordinated development and professional management", the reorganization and integration of regional companies was fully completed, and a centralized and unified organizational management and policy system was basically built. The Group actively and steadily promoted the second stage of business integration and digital transformation of the basic building materials segment, including the merger by absorption of Ningxia Building Materials with CNBM Technology to create a digital service platform; push forward the injection of Qilianshan into the high-quality design institute assets of CCCG and the cement assets to be placed under the custody of New Tianshan Cement to realize the professional integration of the cement business and set the first example of market-oriented restructuring and listing cooperation among central enterprises.

New materials segment

Glass Fiber

In 2022, due to weakened demand in the glass fiber market together with the centralized release of new production capacity, as well as increasing costs due to increased prices of raw materials and natural gas, the overall profitability of the industry has declined.

China Jushi enhanced the linkage between production and sales, guided the adjustment of production structure by the adjustment of sales structure, increased the proportion of "high-precision and difficult" and high value-added products, tightly focused on core customers, brought in more high-end customers, and continuously highlighted the advantages of technology and cost; intelligent manufacturing continued to strengthen its development advantages, Tongxiang and Chengdu intelligent manufacturing bases were fully constructed, the fourth thick yarn production line in Egypt was successfully lighted up, the first phase of the new base in Jiujiang entered the installation and testing stage, and the world's first glass fiber zero-carbon intelligent manufacturing base was officially located in Lianshui, Jiangsu; digital empowerment was further deepened, the per capita production efficiency of the "Future Factory" is 30% higher than the industry average, and the "Glass Fiber Intelligent Manufacturing Demonstration Factory" was successfully elected as a typical case of digital transformation by the State Ministry of Industry and Information Technology; the company has won the 23rd China Patent Gold Award for scientific and technological innovation, focused on the practical effects of the development of glass formula, and has developed economic rhodium-free and ultra low-rhodium diffusion panels, and achieved industrial application of many glass fiber formulas.

Taishan Glass Fiber fully leverages its competitive advantages of "wide variety, high diversity and flexible structure", and increases the proportion of marketing of special high-value added and high gross profit margin products; insisting on differentiated and high-end industrial layout, the capacity construction was accelerated and the project with an annual output of 300,000 tons of glass fiber intelligent manufacturing base was situated in Taiyuan, Shanxi Province, and the project with 60,000 tons of high-mode and high-strength glass fiber in Zoucheng was put into production; insist on innovation-driven development, promote the construction of a source of original technology of high-performance fibers and composite materials, and the second generation of low dielectric and low expansion of special functional glass fiber core technology has achieved periodical progress.

Gypsum board

In 2022, the increase in gypsum board prices reflected the impact of factors such as the increase in raw material and energy prices. However, due to the deep adjustment of the real estate industry and the pandemic, the market demand for Gypsum Board was relatively sluggish and the profitability of the industry declined. The supply-side reform accelerates the elimination of outdated production capacity, and the concentration of the industry is further enhanced.

BNBM optimized its channel positioning, promoted the transformation of "from public to home decoration, city to county, base material to surface material, and product to service", and laid a solid foundation for stable development; optimized its operation management, adhered to the operation ideology of "price-cost-profit", insisted on intensive dedication to regional markets, fully implemented "improving efficiency, cutting expenditures and reducing costs", and strengthened credit management through "credit line + credit period"; adjusting the product structure, promoting the "gypsum board+" business related to gypsum board ceiling and partition wall systems, and continuing to enhance the research and development and promotion of high value-added products such as universal board and ancillary systems and interior decoration to further increase the proportion of high-end products; insisting on the ideology of green and low-carbon development; the layout of international business has been steadily promoted, and our Tanzania base has grown in performance, while the projects in Uzbekistan and Thailand are being carried out in an orderly manner.

Wind power blade

In 2022, the installation scale of wind power was about 370 million kilowatts, representing a year-on-year increase of 11.2%. The tender scale of wind power has reached an all-time record, which is beneficial to support the subsequent growth of demand. With the rapid innovation of wind power machine technology and price parity of wind power, the price of wind power blades is under pressure and the profitability of the industry is declining.

Sinoma Blade continues to strengthen its core competitive advantages, optimize its customer structure and product structure, and further enhance its market share and brand image; exploring the potential to reduce costs and increase effectiveness, strengthening centralized procurement, increasing the rate of e-commerce procurement, accelerating material substitution, and achieving cost reduction in procurement; proactively responding to the cyclical fluctuations and carrying out forward-looking layout, three domestic bases in Yiwu, Yulin and Yangjiang entered into full-scale construction, and the team of the overseas base in Brazil has fully settled in; new breakthroughs in key core technologies were achieved, with the completion of more than 50 sets of updated and iterative operations for long blade molds of over 90 meters, the development of 120-meter offshore wind turbine blades, and periodical progress in the core technology of 100-meter flexible wind turbine blades.

China Composite focuses on the market and actively responds to it, focusing on stabilizing production and expanding volume, reducing costs and creating effectiveness; the achievement of technical research is remarkable, with the only domestic 20MW, 150m-class ultra-large wind power blade full-size test platform built, and 123m offshore wind power blade rolled off the line; project construction commenced steadily, 8MW+ wind power blade project will soon be equipped with mold installation conditions; the optimization and upgrading have been fruitful, practicing the ideology of green and low-carbon development, and the energy consumption per unit of product has been reduced significantly; accelerated the digital transformation and completed the upgrade of the integrated management system 2.0, and successfully built the "lean manufacturing control capability of wind power blades" and "efficient procurement synergy control capability".

Lithium battery separator

In 2022, the rapid development of new energy vehicles, energy storage and consumer electronics and other industries has provided a wide scope of market development for the separator industry, with a total global demand of 15.7 billion square meters, representing a year-on-year increase of 60%, and supply and demand remain in a tight balance. With the optimization of the product and customer structure, the profitability level of the industry leader continued to improve.

Sinoma Lithium Membrane seized market opportunities, focused on strategic major customers, increased its efforts in international market development, and increased the proportion of sales to overseas customers, resulting in a significant year-on-year increase in sales volume, revenue and total profit; through equipment transformation, process optimization, and management improvement, the A product rate continued to improve, and through the implementation of 14 specialized projects, unit costs dropped significantly; the layout of the production capacity is further advanced, with two new major bases in Pingxiang and Yibin, forming the top five billion-square-meter bases; achieved new breakthrough in key core technology, Ultra-thin High Strength 5μm Diaphragm Base Film and PVDF Ultra-thin Coated Membrane is researched and developed; the lithium membrane platform completed equity financing of RMB6.5 billion, supporting the development of the industry.

Carbon Fiber

In 2022, the carbon fiber industry was supported by the steady growth of downstream demand, the industry as a whole maintains a relatively favorable development trend, the supply and demand situation for high-performance carbon fiber continues to improve, with the accelerated expansion of the downstream industry chain, accelerating the implementation of carbon fiber production capacity, and general product prices have dropped. The technical level is becoming more mature, enterprises are expanding their production, and China has become the world's largest country in carbon fiber production capacity.

After years of technology incubation and continued promotion of industrialization, the carbon fiber business was successfully listed on the Science and Technology Innovation Board on 6 April 2022. It seized market opportunities and adjusted sales strategies in a timely manner, and achieved significant cost reduction by leveraging scale advantages and process optimization; the construction of the project commenced steadily. The second phase of Xining will be put into production gradually, the aviation and aerospace carbon fiber line of Lianyungang base increased investment in research and development, and the T1100 grade high-performance carbon fiber manufacturing technology had achieved progress; aviation-grade prepreg validation progressing smoothly, Shanghai aviation application R&D and manufacturing project will be completed and put into production in the first half of 2023; the construction project of high-performance carbon fiber with an annual production capacity of 30,000 tons was officially contracted, and the R&D and manufacturing project for aviation applications in Shanghai will be completed and put into production gradually; accelerated the domestic applications and substitution of SYT49, SYT55 and M40 grade high-performance carbon fiber in the aviation and aerospace, new energy, transportation construction, electronics 3C and other fields.

Waterproof

In 2022, affected by the deep adjustment of the real estate industry, waterproof materials industry production dropped 15.4%, which was the first time of a decline in the industry, and the overall performance of the industry was under pressure.

The Company promotes the integration of waterproof business, and Suzhou Waterproof Institute completes the integration of the waterproof team of non-mining institute, further optimizing the scientific research strength of the waterproof segment; expanding customer base, preventing risks, optimizing channel positioning, increasing the number of channels, enriching the types of channels, and strengthening channel stickiness; fully implement the "improving efficiency, cutting expenditures and reducing costs", become comparable with advanced enterprises, in order to enhance its competitiveness through "innovation + marketing". We carried out technical research to improve the technology level, and have successfully researched, developed, and produced new products of double-layer tire-based asphalt coiled materials; strengthen the innovation to promote green and low-carbon transformation and upgrade, and create "asphalt waterproof environmental protection incinerator and ingredient tank safety monitoring and protection system" to enhance the safety of asphalt ingredient system.

Graphite new materials

In 2022, the application of graphite in the traditional fire-resistant material field decreased due to the impact of the steel industry, but the new energy industry continues to grow and the demand for energy storage strengthens, bringing new development potential.

We established the graphite new material industry platform CNBM Graphite, efficiently promoted the capital increase and reorganization of Heilongjiang Graphite, own a controlling stake in the world renowned Liumao crystalline graphite mine, and quickly entered the crystalline graphite field; continuously improve the operation management, fully implement the "management of three delicacies", strengthen the whole process of production, supply and sales optimization, and realize the "achievement of restructuring completion and turnaround in the same year"; promote the project construction rapidly and continue to establish an integrated industrial chain of graphite from resource development, deep processing to terminal application.

Hydrogen Energy Cylinders

In 2022, as hydrogen energy industry plans was being released around the world, the development of the fuel cell industry accelerated and the development and application of hydrogen energy in China entered the fast lane, resulting in a significant year-on-year increase in the demand for hydrogen energy cylinders.

Sinoma Suzhou Limited fully leverages its technological and market advantages in the field of composite high-pressure containers and continues to enhance its market competitiveness, keeping the industry scale, product quality, production and sales volume at the top of the industry; seized the favorable policy of hydrogen energy industry and continued to make efforts in project construction. The planning of a new base with an annual production capacity of 100,000 hydrogen cylinders was completed in Chengdu, and the construction of the 385L large diameter hydrogen cylinder project was accelerated; hydrogen energy storage and transportation key material research has made progress, and the 70MPa Type IV hydrogen cylinder project has completed technical research and a full set of commissioned tests, and the Company has developed a 25MPa winding gas cylinders container and become the first company in China to be certified for sea-to-rail intermodal transportation.

Coating

In 2022, a sluggish real estate market has led to weak market demand. The concentration of the coating industry was low, with production capacity expanding and competition intensifying. But due to the downward trend of raw material prices, leading companies have a competitive advantage and profitability was stabilizing.

BNBM focuses on specialization and refinement, constructing differentiation by making "refined" architectural coatings and promoting the quality of brand management, while making "specialized" industrial coatings and making continuous efforts in the fields of aviation and aerospace, wind power blades and industrial anti-corrosion, and seizing market opportunities to actively develop powder coatings and coatings for construction machinery and commercial vehicles to become an advantageous enterprise in the segmented market; protect major projects, continue to strengthen channel development and county and rural market development, focus on brand building, promote e-commerce, strengthen e-commerce marketing, and enhance brand influence; focus on management optimization, fully implement "improving efficiency, cutting expenditures and reducing costs", and continue to carry out procurement benchmarking and business exchange to explore potential opportunities.

ENGINEERING SERVICES SEGMENT

Engineering Technical Services Segment

In 2022, due to the decline in domestic cement demand, owners have slowed down their investment in capacity replacement. However, with the transformation of the cement industry to "high-end, intelligent, and green", there was still a large demand for technological transformation of old lines and cement equipment. The new increase in the international market mainly came from the infrastructure needs of countries along the "One Belt and One Road" Africa, the Middle East, and Southeast Asia, and there was great potential for upgrading and transforming existing old lines in developed countries.

Sinoma International grasped the development concept of "domestic and international double-loop mutual promotion", high-quality service industry supply-side structural reform and transformation and upgrading, further strengthened the stickiness of major international customers. The number of new contracts increased against the trend. The international market share of cement technical equipment and engineering industry has been steadily ranked the first in the world. The Group implemented a series of professional reorganization around "strengthening the chain and replenishing the chain", efficiently promoted the business reorganization of the equipment sector and the acquisition of 100% equity of Hefei Institute on schedule, completed the acquisition of 51% equity of Boyu E&M, and accelerated the building of a high-end equipment research and development intelligent manufacturing platform; fully completed the integration of operation and maintenance business, acquired 100% equity of smart industry, improved the global operation and maintenance business layout, and accelerated the transformation into an operation and maintenance service provider. Deeply cultivated the localized operation, 36 localized institutions developed steadily. Newly signed contracts for territorial diversified engineering increased by 16% year-on-year, and the contract value of green energy projects exceeded RMB1.5 billion.

REFORM

2022 was the final year of the three-year reform of state-owned enterprises. The Group has been fully committed to promoting the reform, completed the task ledger of the three-year reform of state-owned enterprises, and closely combined the reform with the construction of world-class material enterprises to empower development and enhance the comprehensive effect of reform. The Group has promoted the formulation of the "Implementation Plan for Improving the Quality of Listed Companies" and its ledger to further promote the company's high-quality development.

Improving the corporate governance mechanism. The Group continued to promote the construction of the Board and the "one enterprise, one policy" of the Board to exert the functions of "setting strategies, making decisions and preventing risks". Companies that have established the boards of directors at all levels formulated implementation plans for the duties and powers, a list of matters were decided by the three committees, a Management System for Authorization from the Board of Directors to the Managers and a mechanism for the managers to report to the board of directors were established. In accordance with the evaluation method of the board of directors of subsidiaries, the board of directors and dispatched directors of the relevant company were evaluated. The differentiated management and control of relative holding mixed ownership enterprises were deepened, and the phased evaluation of China Jushi's differentiated management and control were completed in June 2022.

Further improving the market-oriented operation mechanism. Three-System Reform, which meant the management can get promoted or demoted, employees can be employed or dismissed, and income can be increased or decreased, achieved remarkable results. The contractual tenure system for managers was implemented at all levels, and after strictly implementing the 2021 performance targets, 340 people were unqualified and exited; 7.1% of management personnel competed for jobs, and 5.7% of employees quit through market.

Promoting the medium and long term incentive expansion with enhanced quality. In 2022, the Group added overseas projects to the medium and long term incentive toolbox, expanding it to 9 types in 5 categories. In 2022, the Group implemented 5 new medium and long term incentive plans, namely Sinoma International's implementation of restricted share incentives, TCDRI and CCDRI's implementation of technology-based enterprise post bonus incentive, and Dragon Coatings and WILCO's implementation of excess profit sharing incentives. As of the end of December 2022, the Group has adopted 7 medium and long term incentive tools and 21 plans were under implementation, covering 110 companies.

Continuing the deepening of the pilot work in respect of the "Double Hundred" and technologically-reform demonstration enterprises. In 2021, the list of "Technologically-reformed Demonstration Enterprise" was extended to add TCDRI, Suzhou Nonmetallic Minerals and NRDI. As at the date of this announcement, a total of three enterprises of the Group was included in the "Double Hundred Enterprise Action" and four enterprises were in "Technologically-reformed Demonstration Enterprise". In July 2022, the State-owned Assets Supervision and Administration Commission conducted a special work assessment for the pilot enterprises in 2022, and the assessment result of the "Double Hundred Enterprise" Sinoma International was the benchmark, the assessment result of BNBM and Saima IOT was good, and the assessment result of "Technologically-reformed Demonstration Enterprise" Beijing FRP Institute was excellent.

INNOVATION-DRIVEN AND GREEN DEVELOPMENT

The Group adhered to putting innovation as the core, focused on the "four aspects", continuously improved the science and technology innovation system, accelerated the creation of original technology sources, continued to promote the deep integration of the innovation chain and industrial chain, strived to achieve high-level technological self-reliance, resolutely implement the "dual carbon" responsibility, deepened green development, and deployed low-carbon technologies.

Technological innovation continues to make break-throughs. A number of key core technologies have made breakthroughs. A series of special functional materials such as advanced composite materials, high-strength yarns and special coatings have been used in major national projects such as Mengtian, Shenzhou, Long March and domestic large aircraft. Breakthroughs have been made in new technologies such as ultra-large wind power blades, hydrogen storage cylinders for stations, high-strength lithium film, and ultra-fine electronic glass fibers. The pace of application verification, transformation and promotion of new technologies and materials has been accelerated; aircraft passenger cargo floor has been supplied in batches, and 35MPa large-volume hydrogen storage cylinders have been successfully developed and realized batch application. In 2022, the Group won 1 China Patent Gold Award, 3 National High-quality Engineering Awards, and presided over the formulation and revision of 5 international standards, and increased 47 new high-tech enterprises. As at the end of 2022, there were a total of 199 high-tech enterprises and a total of 13,000 valid patents.

The green and low-carbon transformation continues to move forward. The Group will strengthen the "dual carbon" technology, and accelerate the construction of low-carbon technology and equipment demonstration lines in Qingzhou China United. The Group vigorously promoted green energy, accelerated the deployment of a number of green low-carbon demonstration projects and green energy projects, increased the number of "photovoltaic +" energy factories to 22 and cement waste heat annual power generation to 7,785GW, and cement kiln co-processing production lines increased to 49, with annual disposal of 4.93 million tons of waste. 50 gypsum board production lines of BNBM have achieved "nearly zero emissions". The Group has deepened green production, promoted the "Two Highs" governance, completed 64 clinker lines and 129 grinding lines over-limit control in "one line, one policy", reduced consolidated energy consumption for every RMB10,000 in output value by 9% year-on-year, and declined emissions of sulfur dioxide, nitrogen oxides, smoke and dust by nearly 30% year-on-year. As of the end of 2022, the Group had 42 national-level green mines, 64 provincial-level green mines, 129 national-level green factories, and 68 provincial-level green factories.

Digital transformation continues to accelerate. The Group will strengthen the top-level design of digital intelligence, release the guidelines for digital transformation, organize the compilation of the "Information Construction and Digital Transformation Plan", form the "1254" digital transformation blueprint with the vision of "digital leading material creation", and accelerate the construction of "Digital China Building Materials". Efforts have been made to build a digital operation system. The "Project No. 1" of New Tianshan Cement has been steadily implemented, the construction of Ningxia Building Materials Industrial Internet Data Center has been orderly pushed forward, Qilianshan has built the most influential smart supply chain platform in the region. The world's leading glass fiber "Future Factory" built by China Jushi, New Tianshan Cement and Sinoma International jointly released the 1.0 standard for smart cement plants. The "Finding Car" intelligent logistics platform has accumulated over 1.2 million heavy trucks, and Sinoma International has completed and a digital platform for the whole process of carbon emission has been put in operation in cement factories. The carbon footprint accounting platform for building materials and equipment products and the carbon platform for green and low-carbon buildings have been released, and Linli South's "5G+ Smart Mining" has been accepted in accordance with the standards of the "Guidelines for Digital Mine Construction". In 2022, 12 new enterprises have carried out the integration of industrialization, with 8 cement and glass fiber intelligent production lines being built. As at the end of 2022, a total of 98 enterprises have carried out the integration of industrialization, with 20 cement intelligent production lines and 27 glass fiber intelligent production lines, and 19 pilot demonstration projects/cases of digital transformation were selected by the Ministry of Industry and Information Technology.

FINANCIAL REVIEW

The revenue of the Group decreased by 16.5% from RMB275,618.6 million in 2021 to RMB230,167.7 million in 2022. The profit attributable to equity holders of the Company decreased by 51.2% from RMB16,299.9 million in 2021 to RMB7,961.6 million in 2022.

Revenue

Our revenue in 2022 amounted to RMB230,167.7 million, representing an decrease of 16.5% from RMB275,618.6 million in 2021. This was primarily due to a decrease of RMB40,372.0 million in the revenue of the Group's basic building materials segment, a decrease of RMB9,140.5 million in the revenue of the engineering technical services segment, which was partially offset by an increase of RMB63.4 million in the revenue of the new materials segment.

Cost of sales

Our cost of sales in 2022 amounted to RMB191,176.1 million, representing a decrease of 8.9% from RMB209,892.5 million in 2021. This was primarily due to a decrease of RMB17,028.9 million in the cost of sales of the Group's basic building materials segment, and a decrease of RMB7,148.7 million in the cost of sales of the engineering technical services segment, which was partially offset by an increase of RMB1,686.8 million in the cost of sales of the new material segment.

Other income

Other income of the Group decreased by 15.2% from RMB6,527.0 million in 2021 to RMB5,532.9 million in 2022. This was primarily due to a decrease of RMB1,555.4 million in net gain of the fair value change financial assets at fair value through profit or loss, a decrease of RMB578.7 million in compensation income, a decrease of RMB375.0 million in the VAT returns, which was partially offset by the increase of RMB1,965.1 million in the gain on disposal of assets.

Selling and distribution costs

Selling and distribution costs decreased by 26.9% to RMB3,592.9 million in 2022 from RMB4,914.4 million in 2021. This was primarily due to a decrease of RMB205.6 million in labor costs, a decrease of RMB198.2 million in utilities, a decrease of RMB135.8 million in outsourced labor costs, a decrease of RMB107.7 million in transportation costs and a decrease of RMB104.1 million in repair fees.

Administrative expenses

Administrative expenses decreased by 28.2% to RMB20,605.3 million in 2022 from RMB28,696.3 million in 2021. This was primarily due to the decrease of RMB2,743.0 million in allowances for impairment of goodwill, the decrease of RMB1,922.7 million in allowances for impairment of property, plant and equipment, the decrease of RMB929.0 million in foreign exchange losses, the decrease of RMB418.1 million in labour costs and the decrease of RMB266.3 million in research and development fees.

Finance costs

Finance costs decreased by 17.7% to RMB5,967.5 million in 2022 from RMB7,251.6 million in 2021. This was primarily due to the decrease in the Group's borrowing costs.

Share of profit of associates

The Group's share of profit of associates decreased by 24.1% to RMB3,052.5 million in 2022 from RMB4,021.6 million in 2021. This was primarily due to the decrease in profit from the Group's associates in the basic building materials segment, which was partially offset by the increase in profit in the China Jushi, the Group's associate.

Provision under expected credit losses

The provision under expected credit losses decreased to RMB-29.1 million in 2022 from RMB1,698.8 million in 2021.

Income tax expense

Income tax expense decreased by 68.4% to RMB2,528.0 million in 2022 from RMB7,995.6 million in 2021. This was primarily due to the decrease in profit before tax and an increase in High and New Technology Companies with low income tax rates.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased by 27.4% to RMB6,254.7 million in 2022 from RMB8,619.1 million in 2021. This was primarily due to the decrease in operating profit of basic building materials segment, engineering technical services segment and new materials segment.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company decreased by 51.2% to RMB7,961.6 million in 2022 from RMB16,299.9 million in 2021. Net profit margin decreased to 3.5% in 2022 from 5.9% in 2021.

Basic building materials segment

Revenue

Revenue of basic building materials segment of the Group in 2022 amounted to RMB147,230.5 million, representing an decrease of 21.5% from RMB187,602.5 million in 2021, mainly attributable to the decrease in the average selling price of cement products, commercial concrete and aggregate and the decrease in sales volume of cement products, commercial concrete, which was partially offset by the increase in sales volume of aggregate.

Cost of sales

Cost of sales of basic building materials segment of the Group in 2022 amounted to RMB125,473.4 million, representing an decrease of 11.9% from RMB142,502.3 million in 2021, mainly attributable to the decrease in sales volume of cement products and commercial concrete, which was partially offset by the increase in coal price and the increase in the sales volumes of aggregate.

Gross profit and gross profit margin

Gross profit of basic building materials segment of the Group decreased by 51.8% to RMB21,757.1 million in 2022 from RMB45,100.2 million in 2021. Gross profit margin of the basic building materials segment of the Group decreased from 24.0% in 2021 to 14.8% in 2022. The decrease in gross profit margin was mainly due to the increase in coal price and the decrease in the average selling price of cement products, commercial concrete, and aggregate.

Operating profit

Operating profit of basic building materials segment of the Group decreased by 56.0% to RMB11,502.0 million in 2022 from RMB26,152.0 million in 2021. Operating profit margin of the basic building materials segment of the Group decreased from 13.9% in 2021 to 7.8% in 2022. The decrease in operating profit margin of the basic building materials segment was primarily due to the decrease in gross profit margin, the decrease in net gain of the fair value change in financial assets at fair value through profit or loss, the decrease in compensation income and the decrease in VAT returns, partially offset by the decrease in allowances for impairment of property, plant and equipment, the decrease in allowance for impairment of goodwill and the decrease in allowance for impairment of receivables.

New materials segment

Revenue

Revenue of new materials segment of the Group increased by 0.1% to RMB45,647.8 million in 2022 from RMB45,584.4 million in 2021. This was mainly attributable to the increase in the average selling price of gypsum board, glass fiber yarn and lithium battery separator and the increase in the sales volume of wind power blade and lithium battery separator, partially offset by the decrease in sales volume of gypsum board and glass fiber yarn, as well as the decrease in average selling price of wind power blade.

Cost of sales

Cost of sales of new materials segment of the Group increased by 5.1% to RMB34,617.5 million in 2022 from RMB32,930.8 million in 2021, mainly attributable to the increase in sales volume of wind power blade and lithium battery separator, and the increase in the prices of raw material and coals, partially offset by the decrease in sales volume of gypsum board and glass fiber yarn.

Gross profit and gross profit margin

Gross profit of new materials segment of the Group decreased by 12.8% to RMB11,030.2 million in 2022 from RMB12,653.6 million in 2021. Gross profit margin of new materials segment of the Group decreased to 24.2% in 2022 from 27.8% in 2021. The decrease in gross profit margin was mainly attributable to the decrease in average selling price of wind power blade and the increase in the prices of raw material and coals, partially offset by the increase in average selling prices of gypsum board, glass fiber yarn and lithium battery separator.

Operating profit

Operating profit of new materials segment of the Group decreased by 5.8% to RMB8,021.6 million in 2022 from RMB8,513.7 million in 2021. The operating profit margin of new materials segment of the Group decreased to 17.6% in 2022 from 18.7% in 2021, mainly attributable to the decrease in gross profit margin, partially offset by the increase in gains on disposal of assets and the decrease in foreign exchange loss.

Engineering technical services segment

The change in the operating results of the Group's engineering technical services segment for the year 2022 as compared to the year 2021 was partially affected by the discontinuation of the merger with China Triumph International Engineering Company Limited, the relevant shareholding transaction of which was completed on 31 December 2021.

Revenue

Revenue of engineering technical services segment of the Group decreased by 19.3% to RMB38,109.7 million in 2022 from RMB47,250.1 million in 2021.

Cost of sales

Cost of sales of engineering technical services segment of the Group decreased by 18.3% to RMB32,017.9 million in 2022 from RMB39,166.6 million in 2021.

Gross profit and gross profit margin

Gross profit of engineering technical services segment of the Group decreased by 24.6% to RMB6,091.8 million in 2022 from RMB8,083.5 million in 2021. Gross profit margin of engineering technical services segment of the Group decreased to 16.0% in 2022 from 17.1% in 2021, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of engineering technical services segment of the Group decreased by 11.1% to RMB2,449.9 million in 2022 from RMB2,756.7 million in 2021. Operating profit margin of engineering technical services segment of the Group increased to 6.4% in 2022 from 5.8% in 2021, mainly attributable to the decrease in foreign exchange loss, the decrease in the allowance for impairment of receivables, partially offset by the decrease in gross profit margin.

Liquidity and financial resources

As at 31 December 2022, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB328,663.9 million in total.

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

	As at 31 December	
	2022	2021 (restated)
	(RMB in millions)	
Bank loans	**127,137.2**	107,430.3
Bonds	**45,600.0**	57,988.0
Borrowings from non-financial institutions	**1,341.4**	1,706.7
Total	**174,078.6**	167,125.0

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

	As at 31 December	
	2022	2021 (restated)
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**77,531.0**	73,940.0
Between one and two years	**37,663.7**	38,976.1
Between two and three years	**34,419.4**	31,305.9
Between three and five years (inclusive of both years)	**8,926.0**	12,017.4
Over five years	**15,538.5**	10,885.6
Total	**174,078.6**	167,125.0

As at 31 December 2022, bank loans in the aggregate amount of RMB4,611.5 million were secured by assets of the Group with a total amount of RMB13,537.7 million.

As at 31 December 2022 and 31 December 2021, the debt to assets ratio of the Group, calculated by dividing borrowings by total of assets of the Group, were 36.1% and 36.0%, respectively.

Exchange Risks

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

Contingent Liabilities

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

Capital Commitments

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

	As at 31 December	
	2022	2021 (retated)
	(RMB in millions)	
Capital expenditure of the Group in respect of acquisition of property, plant and equipment (contracted but not provided for)	**5,822.1**	1,163.8

Capital expenditures

The following table sets the our capital expenditures of the Group for the year ended 31 December 2022 by segment:

	For the year ended 31 December 2022	
	(RMB in millions)	*% of total*
Basic building materials	17,397.8	62.0
New materials	8,104.3	28.9
Engineering technical services	933.0	3.3
Others	1,610.0	5.8
Total	28,045.1	100. 0

Material Investment Plans

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

Cash Flow From Operating Activities

For the year 2022, net cash inflow of the Group generated from operating activities was RMB26,350.6 million, representing a decrease of RMB23,664.0 million as compared to that of 2021 of RMB50,014.6 million, which was primarily due to the decrease in the cash flow from sale of goods of the Group.

Cash Flow From Investing Activities

For the year 2022, net cash outflow of the Group generated from investing activities was RMB25,678.9 million, representing a decrease of RMB10,041.1 million as compared to that of 2021 of RMB35,719.9 million, which was primarily due to the decrease in cash paid for property, plant and equipment and intangible assets of the Group.

Cash Flow From Financing Activities

For the year 2022, net cash outflow of the Group generated from financing activities was RMB2,183.8 million, representing a decrease of RMB14,582.8 million as compared to that of 2021 of RMB16,766.7 million, which was primarily due to the increase in net cash received on borrowings of the Group.

OUTLOOK FOR 2023

The year 2023 is the opening year for the full implementation of the spirit of the 20th Party Congress and also a crucial year for the "14th Five-Year Plan" to continue forward by building on the past. The international economic and political landscape is complex, and the domestic economic recovery is not yet on a firm footing. China's economic development is facing many risks and challenges. However, the fundamentals of economic resilience, great potential, abundant vitality and positive long-term improvement have not changed in order to further unleash economic potential and vitality. The Chinese government insists on stability and progress while maintaining stability, organically combines the implementation of the strategy to expand domestic demand with deepening supply-side structural reforms, maintains policy continuity and pertinence, and strengthens coordination and cooperation of various policies. With the combined effect of inventory volume policy and increasing volume policies, in 2023, the economy is expected to rebound in general, with an annual GDP growth target of around 5%.

The Group will continue to adhere to the implementation of the "4335" guiding principles, implement new development concepts, build a new development pattern, promote high-quality development, and make every effort to implement various tasks such as seeking steady progress, transformation and upgrading, innovation-driven, deepening reform and value management:

First, achieving progress while maintaining stability to win the tough battle for stable growth. The Group will keep a good balance of price, sales volume, cost and cash flow to ensure the effective improvement of quality and reasonable growth of quantity; continue to strengthen "three refined" management successively, focus on profitability in operation, cost reduction in management refinement, organization refinement; focus on implementing the national strategy, optimize the industry ecology, and assist the double-loop, etc., build a three-dimensional cooperation system of the grand strategy, continue to promote the structural reform of the supply side of the industry, and promote the high-quality development.

Second, multi-dimensional empowerment to promote industrial transformation and upgrading. The Group will focus on the three leading factors of "cement +", internationalization, and dual carbon for the basic building materials segment, focus on stock optimization, consolidate the traditional core markets, strengthen and optimize the potential markets, and continue to stabilize the foundation of profitability; the new material segment will strengthen situation research and judgment, and accelerate expansion, cultivate leading products with global competitiveness in multiple dimensions, strengthen the transformation of achievements and industrial cultivation, and greatly increase the scale of production and sales. The engineering technology service sector will continue to be intensively cultivated, and the business and organizational model will be restructured to be driven by the "two wheels" of "digital & intelligent, and high-end equipment", transforming from EPC general contracting to technical transformation, operation and maintenance and spare parts services, and providing strong support for the Group's digitization, greening and internationalization; the Group will increase strategic investment and play a leading role in the incubation of new business, the cultivation of new industries, and the breakthrough of new technologies.

Third, innovation-driven to promote industrial digitization. The Group will strengthen key core technology, create a source of original technology, and accelerate the achievements in the field of key materials; accelerate digital transformation, promote digital and intelligent production and manufacturing, and create a new generation of smart factories and digital mines with better indicators.

Fourth, green development to advance low-carbon transformation. The Group will implement its "dual carbon" goal, promote carbon reduction at source, carbon reduction in the process, carbon sequestration at the end, and carbon management throughout the process, accelerate green and low-carbon transformation, promote clean energy structures, increase the proportion of green energy such as photovoltaics and wind power, promote efficient energy utilization, and accelerate the formation of scale, social and brand benefits.

Fifth, global layout to actively promote the internationalization strategy. The Group will step up the pace of "going global", focus on overseas markets, especially the opportunities in the "One Belt and One Road" countries, and rely on overseas projects and funds to accelerate internationalization.

Sixth, deepening reform to enhance the effectiveness of reform. The Group will consolidate and deepen the achievements of the three-year reform of state-owned enterprises, improve the modern corporate governance of state-owned enterprises with Chinese characteristics, and further improve the market-oriented operating mechanism, and continue to promote the "one enterprise, one policy" of the board of directors of subsidiaries to play the role of "determining strategies, making decisions, and preventing risks", actively promote the application of medium and long-term incentive tools, and build a mechanism of "linkage of interests" between the individuals and the company.

Seventh, value management to enhance value creation capabilities. The Group will further promote capital operation, deepen the second phase of business integration of the basic building materials sector, actively promote the business integration of the new material sector, strengthen the integration of cement equipment and operation and maintenance businesses, and continuously improve the company's core competitiveness and market influence; focus on building the strength of internal quality and external image. The Group will continue to carry out special actions to improve the quality of listed companies, adhere to both value creation and value realization, actively protect the rights and interests of shareholders, and form a virtuous circle of high-quality development.

CORPORATE GOVERNANCE REPORT

The Company has always adhered to the concept of operating in accordance with laws and regulations, abided by the laws and regulations and regulatory requirements, followed the development of rules in a timely manner, closely integrated the Company's development process, revised and improved various internal systems, and built a coordinated operation mechanism for compliance, internal control and risk management. The Board of Directors, the Supervisory Committee and the management perform their respective duties in accordance with the law and diligently fulfill their responsibilities to ensure the Company's steady and compliant operations, continuously improve the level of corporate governance, and focus on realizing the balanced development between the growth of the Company and shareholders' interests.

The Company complied with all applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022.

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

For the year ended 31 December 2022, the Company has publicly bought back the "17 CNBM 03" bonds on the Shanghai Stock Exchange. The repurchase price is the face value of the bond (RMB100 each bond) and the cancellation amount is RMB500,000,000.00, the bond has been fully repurchased.

Except for the aforementioned listed securities (have the meanings ascribed by the Listing Rules), for the year ended 31 December 2022, 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 is the Chairman and both Mr. Liu Jianwen and Ms. Xia Xue are members. All the three members are independent non-executive Directors. Among them, Mr. Li Jun possesses professional qualifications and experience in accounting and related financial management. Such composition is in compliance with the requirements of the Listing Rules. The main duties of the Audit Committee include supervision of the financial reporting procedures of the Company, internal regulation and control as well as risk management work. The Audit Committee has reviewed the financial report and results of the Group for the year ended 31 December 2022.

DIVIDENDS

The Board hereby recommends the distribution of a final dividend of RMB3,188,343,310.24 in total (tax inclusive) for the period from 1 January 2022 to 31 December 2022 (2021: RMB5,845,296,068.77 in total (tax inclusive)) for Shareholders whose names appear on the Company's register of members on Wednesday, 10 May 2023, representing RMB0.378 per share (tax inclusive) (2021: RMB0.693 per share (tax inclusive)) based on the issued shares of 8,434,770,662 shares as of 24 March 2023. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 10 May 2023.

The Company established and implemented the dividend policy in 2019: the Company should maintain sufficient cash reserves to meet the demand for funds, future growth and its equity value when recommending or declaring dividends. In addition to the declaration of dividends, the Board should also take into account the financial performance, cash flow position, business status and strategy, future operation and income, capital demand and expense plan, Shareholders' benefits, limits on the dividend declaration and any other factors the Board may consider to be relevant. According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on Domestic Shares will be paid in Renminbi and dividends on H Shares will be paid in Hong Kong dollars (except for the holders of H Shares who became Shareholders through the Shanghai-Hong Kong Stock Exchanges Connectivity Mechanism (the "**Shanghai-Hong Kong Stock Connect**") as well as the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (the "**Shenzhen-Hong Kong Stock Connect**"), whose dividend will be paid in RMB). The pre-tax dividend in Hong Kong dollars on H Share will be determined by applying the relevant exchange rate to the pre-tax dividend per share of RMB0.378 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, 28 April 2023.

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 2022 to 31 December 2022 (the "**2022 Final Dividend**") to holders of all non-resident enterprise Shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise Shareholders) whose names appear on the H Share register of members of the Company on Wednesday, 10 May 2023.

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

As such, when distributing the 2022 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, 10 May 2023 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 2022 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, 10 May 2023 provided by China Clearing, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H Share register of members of the Company on Wednesday, 10 May 2023 (the "**Registered Address**"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

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

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the relevant shareholder shall proactively submit to the Company the information required under the "Administrative Measures on Preferential Treatment Entitled by Non-resident Taxpayers under Treaties" (Circular of State Taxation Administration No. 35 of 2019) (《非居民納稅人享受協定待遇管理辦法》國家稅務總局公告2019年第35號) (the "**Measures on Tax Treaties**") on or before Thursday, 11 May 2023, 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, 11 May 2023. 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, 25 April 2023 to Friday, 28 April 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 24 April 2023 for share registration.

Shareholders whose names appear on the register of members on Wednesday, 10 May 2023 will be eligible for the final dividend. The register of members of the Company will be closed from Friday, 5 May 2023 to Wednesday, 10 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 4 May 2023 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Friday, 30 June 2023 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 10 May 2023.

MATERIAL TRANSACTIONS

The Deemed Disposal of Equity Interest in Tianshan Cement

From 11 to 13 January 2022, Tianshan Cement (an A-share listed subsidiary of the Company) entered into a subscription agreement with each of the independent subscribers, in connection with Tianshan Cement's proposed issue and allotment of new shares of Tianshan Cement to such independent subscribers in consideration for cash (the "**Subscriptions**"). The issue and allotment of such subscription shares by Tianshan Cement to the said independent subscribers would result in a reduction of the Company's percentage of equity interests in Tianshan Cement for approximately 3.19% (after rounding adjustments), and therefore constituted a deemed disposal of the Company pursuant to Rule 14.29 of the Listing Rules.

The Subscriptions will facilitate the provision of funding to Tianshan Cement which is intended to be used for replenishment of general working capital, repayment of debts and settlement of fees incurred for the previous restructuring of cement assets.

For details of the deemed disposal of equity interest in Tianshan Cement, which constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, please refer to the Company's announcement dated 9 February 2022. As of the date of this announcement, the transaction under the deemed disposal of equity interest in Tianshan Cement has been completed.

Successful Bidding for the Mining Rights

On 27 April 2022, CNBM Chizhou New Materials Co., Ltd.* (池州中建材新材料有限公司) ("**CNBM Chizhou**"), a non-wholly owned subsidiary of the Company, won the bid for the mining rights of the Hengshan mine and peripheral cement limestone mine in Guichi District, Chizhou, Anhui Province for a term of 21 years from the date of obtaining the mining license (the "**Mining Rights**") from the Chizhou Natural Resources and Planning Bureau through public listing-for-sale for an assignment price of RMB2,484.0000 million (equivalent to approximately HK$2,971.1852 million). In addition, CNBM Chizhou is obliged to undertake to perform certain obligations and bear the relevant fees. Accordingly, the total expenses in respect of the successful bidding of the Mining Rights and subsequent construction of production lines will be approximately RMB9.151 billion (equivalent to approximately HK$10.946 billion). On 29 June 2022, Tianshan Cement (indirectly holds 60% of the equity interests in CNBM Chizhou) passed a board resolution to approve that the estimated amount of funds required in respect of the successful bidding of the Mining Rights and the subsequent construction of production lines would be adjusted from approximately RMB9.151 billion (equivalent to approximately HK$10.946 billion) to approximately RMB10.613 billion (equivalent to approximately HK$12.421 billion).

This project aligns with the industrial policy requirements for the development of the national sand and gravel aggregate industry, and the Company's development strategy needs and aggregate development plan. It is conducive to occupying the core market in the Yangtze River Delta region covering Suzhou, Wuxi, Changzhou, Nanjing, etc. This project utilises the advantages of regional location, resources and cost to enhance CNBM Chizhou's comprehensive product competitiveness in the market, thereby enhancing the profitability and anti-risk capability of the enterprise.

For details of the successful bidding for the mining rights, which constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, please refer to the Company's announcements dated 27 April 2022 and 29 June 2022. As of the date of this announcement, the transaction under the successful bidding for the mining rights has been completed.

Deemed Disposal of Equity Interest in Sinoma Lithium Battery Separator

On 25 November 2022, Sinoma Lithium Battery Separator Co., Ltd. ("**Sinoma Lithium Battery Separator**") (a non-wholly owned subsidiary of the Company) entered into a capital contribution agreement with its original shareholders including Sinoma Science & Technology Co., Ltd. ("**Sinoma Science & Technology**") and Nanjing Fiberglass Research & Design Institute Co., Ltd., the non-wholly owned subsidiaries of the Company, Sinopec Capital Co., Ltd. ("**Sinopec Capital**"), CNBM (Anhui) New Materials Industry Investment Fund Partnership (Limited Partnership) ("**CNBM New Materials Fund**") and Xinyuan Lithium (Hangzhou) Enterprise Management Partnership (Limited Partnership) ("**Xinyuan Lithium**"). Pursuant to the capital contribution agreement, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium agreed to make the capital contribution with a total amount of RMB5 billion to Sinoma Lithium Battery Separator at the price of RMB3.4013 per share, and Sinoma Science & Technology agreed to make the capital contribution with a total amount of RMB1.5 billion to Sinoma Lithium Battery Separator at the same price. The capital contribution will result in a reduction in the percentage of equity interests indirectly held by the Company in Sinoma Lithium Battery Separator from approximately 74.16% to approximately 50.79%, and therefore constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules.

The capital contribution will help fulfill the capital requirements of construction projects of Sinoma Lithium Battery Separator, and provide capital protection for the sustainable development of the lithium separator industry. In addition, the Capital Contribution will significantly improve the indicators of debt to asset ratio of Sinoma Lithium Battery Separator, which will be beneficial for Sinoma Lithium Battery Separator to obtain bank credit, thus further improving its financing capacity, so as to meet the capital requirements for new line investment and daily operation.

For details of the deemed disposal of equity interest in Sinoma Lithium Battery Separator, which constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, please refer to the Company's announcement dated 25 November 2022. As of the date of this announcement, the transaction under the deemed disposal of equity interest in Sinoma Lithium Battery Separator has been completed.

Qilianshan Assets Restructuring

On 11 May 2022, Gansu Qilianshan Cement Group Holdings Company Limited* (甘肅祁連山水泥集團股份有限公司) ("**Qilianshan**") entered into the Indicative Assets Restructuring Agreement with China Communications Construction Company Limited* (中國交通建設股份有限公司) ("**CCCC**") and China Urban-Rural Holding Group Co. Limited* (中國城鄉控股集團有限公司) ("**China Urban-Rural**"), in connection with Qilianshan's proposed acquisition of 100% equity interests in CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司), CCCC Second Highway Consultants Co., Ltd.*(中交第二公路勘察設計研究院有限公司), Southwest Municipal Engineering Design and Research Institute of China* (中國市政工程西南設計研究總院有限公司), China Northeast Municipal Engineering Design & Research Institute Co., Ltd.* (中國市政工程東北設計研究總院有限公司) and CCCC Urban Energy Research and Design Institute Co., Ltd.* (中交城市能源研究設計院有限公司) (the "**Swapped-in Target Assets**") held by CCCC and China Urban-Rural, by swapping 100% equity interests in Qilianshan Cement (as defined below)(the "**Swapped-out Target Assets**") and by Qilianshan issuing shares ("**Consideration Shares**") as consideration to acquire the part of Swapped-in Target Assets held by CCCC and China Urban-Rural with the deficiency amount between the value of the Swapped-out Target Assets and the value of the Swapped-in Target Assets ("**Qilianshan Assets Restructuring**"). On 28 December 2022, Qilianshan entered into the Supplemental Assets Restructuring Agreement with CCCC and China Urban-Rural, to agree on matters such as the consideration for the Qilianshan Assets Restructuring, and the profit undertaking and compensation agreement ("**Qilianshan Compensation Agreement**") whereby CCCC and China Urban-Rural agreed to give the profit compensation undertakings and impairment compensation undertakings in relation to the performance undertaking assets assessed or valued using the future income expectations method. On the same date, Tianshan Cement entered into the Entrustment Agreement with CCCC, China Urban-Rural and Qilianshan Cement, in connection with the entrustment of Qilianshan Cement and the enterprises consolidated in its consolidated accounts to Tianshan Cement for operation and management by Tianshan Cement after CCCC and China Urban-Rural's acquisition of the Swapped-out Target Assets, and Qilianshan Cement will pay the entrustment fee as consideration.

The Swapped-out Target Assets are 100% equity interests in Gansu Qilianshan Cement Group Company Limited ("Qilianshan Cement", a new subsidiary wholly-owned by Qilianshan and the consolidating entity holding Qilianshan's assets for its cement business) held by Qilianshan. The price is RMB10,430.4298 million. The Swapped-in Target Assets are 100% equity interests in 6 wholly owned subsidiaries of CCCC and China Urban-Rural. The price is RMB23,503.1329 million. As the difference in the amount of the consideration between the Swapped-in Target Assets and the Swapped-out Target Assets is RMB13,072.7031 million, Qilianshan agrees to issue the Consideration Shares to make up for the deficiency amount. The parties agree that the issue price for the Consideration Shares shall be RMB10.17 per share, and the total issue amount shall be 1,285,418,199 shares (subject to approval by the Shanghai Stock Exchange and registration with the CSRC).

After the completion of the Qilianshan Assets Restructuring, Qilianshan and Qilianshan Cement will cease to be subsidiaries of the Company, the transaction constitutes a disposal under the Listing Rules (the "**Disposal**"). After the completion of the Qilianshan Assets Restructuring, Qilianshan will become a subsidiary of CCCC and the Company will hold 10.06% of shares in Qilianshan. CCCC will hold 85% equity interests in Qilianshan Cement. China Urban-Rural will hold 15% equity interests in Qilianshan Cememt. The transactions constitute in substance an acquisition of 10.06% of the indirect equity interests in the Swapped-in Target Assets and a maximum of 26.73% of the indirect equity interests in the Swapped-in Target Assets (taking into account of the maximum compensation possibility under the Qilianshan Compensation Agreement). As the highest of the applicable percentage ratios of the Disposal and the acquisition of the indirect equity interests in the Swapped-in Target Assets is more than 5% but less than 25%, the Qilianshan Assets Restructuring constitutes a disclosable transaction of the Company pursuant to the Listing Rules and the approval from the Stock Exchange for the Company's application pursuant to Rule 14.20 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements.

As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the entrustment provided by Tianshan Cement, a subsidiary of the Company, to Qilianshan Cement (which will become a subsidiary of CCCC after completion) and the entrustment fee received by Tianshan Cement under the Entrustment Agreement is less than 5%, it does not constitute a discloseable transaction and was announced on a voluntary basis.

The Qilianshan Assets Restructuring is to resolve the industry competition with respect to the cement business of the A-share listed companies held by the Company. Tianshan Cement will achieve management integration of Qilianshan's cement business by way of entrustment. After the Qilianshan Assets Restructuring, Qilianshan will no longer manage cement business, but will turn to focus on business of highway and municipal design, and the Company will be able to share the good performance of Qilianshan by holding its stakes.

For details of the Qilianshan restructuring transaction, please refer to the Company's announcements dated 25 April 2022, 11 May 2022, 28 December 2022, 30 December 2022 and 28 February 2023. As of the date of this announcement, the Qilianshan Assets Restructuring has not been completed and, therefore, the Compensation Period in relation to the profit undertaking and impairment compensation undertakings under the Qilianshan Compensation Agreement has not commenced.

Acquisition of Hefei Institute

On 26 August 2022, Sinoma International, an A-share listed subsidiary of the Company, entered into the Asset Purchase Agreement with Building Materials Academy (a wholly owned subsidiary of the Parent), in relation to a proposed acquisition of the 100% equity interests in Hefei Cement Research & Design Institute Corporation Ltd.* (合肥水泥研究設計院有限公司) ("**Hefei Institute**") by Sinoma International from Building Materials Academy (the "**Acquisition**"). The consideration for the Acquisition is RMB547.08 million in cash and 366,878,106 new shares (representing 16.19% of the total issued share capital of Sinoma International as at the date of this announcement) (subject to adjustments) to be issued by Sinoma International (the "**Consideration Shares**"). The issue and allotment of Consideration Shares by Sinoma International to Building Materials Academy pursuant to the Asset Purchase Agreement will result in a reduction of the Company's percentage of equity interests in Sinoma International, and therefore constitute a deemed disposal pursuant to Rule 14.29 of the Listing Rules and also a connected transaction of the Company (the "**Deemed Disposal**"). The consideration to be paid by cash and shares accounts for 15% and 85%, respectively, of the total consideration. A compensation agreement has also been entered into between Sinoma International and Building Materials Academy in relation to certain profit undertaking and compensation provided by Building Materials Academy to Sinoma International with respect to the compensation period, being the three consecutive accounting years commencing from the year in which completion of the Acquisition takes place (the "**Compensation Period**"). Upon completion of the Acquisition and the Deemed Disposal, Building Materials Academy will hold more than 10% of the shares in Sinoma International, and thus Sinoma International will remain a subsidiary of the Company and become a connected subsidiary of the Company.

The Acquisition will integrate high-quality resources, further improve the positioning of Sinoma International's equipment business and enhance its core competitiveness; make full use of the linkage mechanism between equipment business and engineering technology service business to give full play to the synergy effect; it is conducive to promoting and solving the horizontal competition between the Company and relevant entities in equipment business.

For details of the Acquisition, please refer to the announcement of the Company dated 26 August 2022, the circular dated 11 October 2022, the announcements dated 28 October 2022, 19 December 2022, 10 February 2023 and 1 March 2023. As of the date of this announcement, the Acquisition has been completed but the first accounting year (being year 2023) in respect of the Compensation Period has not been concluded, and therefore, there was not yet any applicable disclosure regarding whether above profit undertaking was met.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 150,457 employees.

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

When determining or recommending to the Board the emoluments payable to the independent non-executive Directors, the Remuneration and Performance Appraisal Committee will consider factors such as remuneration paid by comparable companies, the time and duties required from the Directors and senior management, employment conditions elsewhere within the Group and the desirability of performance-based remuneration in accordance with its terms of reference. Other than independent non-executive Directors, the other Directors will not receive remunerations in respect of their directorships in the Company. Some of the Directors receive employee remunerations for their role as senior management of the Company.

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

As of 31 December 2022, the gender ratio for the Group's employees was approximately 76.35% male and approximately 23.65% female. The Company has implemented a fair employment policy, and the recruitment has been merit-based without any discrimination. We will continue to strive for increasing the proportion of female workers, with reference to the Shareholders' expectations and the recommended best management practice, to achieve an appropriate balance in gender diversity.

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 2022 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2022 will be posted on the website of the Stock Exchange (website: http://www.hkex.com.hk) on or before 30 April 2023. 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:

"14th Five-Year Plan"	the 14th Five-Year Plan for Economic and Social Development of the People's Republic of China
"4335"	4335 guiding principle, that is, to establish four concepts, establish three closed-loop systems, achieve three great changes, and create a five "Sinic Growth Values" enterprise
"Beijing Composite"	北京玻鋼院複合材料有限公司 (Beijing Composite Materials Co., Ltd.)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院有限公司 (China Building Materials Academy Co., Ltd.)
"Carbon Neutrality"	the offset of carbon dioxide emissions through afforestation, energy conservation and other channels in order to achieve "zero emissions" of carbon dioxide
"CCDRI"	成都建築材料工業設計研究院有限公司 (Chengdu Design & Research Institute of Building Materials Industry Co., Ltd.)
"Cement+"	to develop, optimize and expand cement, commercial concrete, aggregate businesses which are the extension of industry chain of cement-related products and the new focal point of profit growth
"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)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited) (previously known as 北新物流有限公司 BND Co., Limited)
"CNBM Trading"	中建材集團進出口有限公司 (China National Building Material Import and Export Co., Ltd.)
"CO_2 Emission Peak"	carbon dioxide emissions no longer increase and have reached the peak, then gradually fall back
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"CTG"	泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"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
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent from the Company or its connected persons (as defined in the Listing Rules)
"Individual H Shareholders"	Shareholders whose names appear on the register of members of H Shares of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"management of three delicacies"	improve operating efficiency, enhance refined management and streamline the organizational structure
"MIIT"	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Moore Stephens"	大華馬施雲會計師事務所有限公司 (Moore Stephens CPA Limited)
"Ningxia Building Materials"	寧夏建材集團股份有限公司 (Ningxia Building Materials Group Co., Limited)
"NRDI"	南京玻璃纖維研究設計院有限公司 (Nanjing Fiberglass R&D Institute Co., Ltd.)
"Parent"	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*) (previously known as 中國建築材料集團有限公司 China National Building Materials Group Corporation)
"Parent Group"	the Parent and its subsidiaries
"PCP"	Price – Cost – Profit

"PRC"	the People's Republic of China
"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 2022 to 31 December 2022
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Sinoma"	中國中材股份有限公司 (China National Materials Company Limited), a joint stock company incorporated in the PRC with limited liability
"Sinoma (Gansu)"	中材甘肅水泥有限責任公司 (Sinoma (Gansu) Cement Co., Ltd.)
"Sinoma Blade"	中材科技風電葉片股份有限公司 (Sinoma Wind Power Blade Co., Ltd.)
"Sinoma International"	中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.)
"Sinoma Lithium Membrane"	中材鋰膜有限公司 (Sinoma Lithium Membrane Co., Ltd.)
"Sinoma Science & Technology"	中材科技股份有限公司 (Sinoma Science & Technology Co., Ltd.)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company

“Suzhou Nonmetallic Minerals”	蘇州中材非金屬礦工業設計研究院有限公司 (Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd.)
“TCDRI”	天津水泥工業設計研究院有限公司 (Tianjin Cement Industry Design & Research Institute Co., Ltd.)
“Tianshan Cement” or “New Tianshan Cement”	新疆天山水泥股份有限公司 (New Tianshan Cement Co., Ltd.*), New Tianshan Cement refers to Xinjiang Tianshan Cement Co., Ltd. after business integration
“CNBM Smart”	中建材智慧工業科技有限公司 (CNBM Smart Industry Technology Co., Ltd)
"Sinoma Graphite”	中建材石墨新材料有限公司 (CNBM Graphite New Material Co., Ltd)
"Suzhou Limited”	中材科技（蘇州）有限公司 (Sinoma Science & Technology (Suzhou) Co., Ltd.)
“CNBM Overseas”	中建材海外經濟合作有限公司 (CNBM Overseas Economic Cooperation Co., Ltd)

By Order of the Board
China National Building Material Company Limited*
Zhou Yuxian
Chairman

Beijing, the PRC
24 March 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Wei Rushan, Mr. Liu Yan, Mr. Xiao Jiaxiang and Mr. Wang Bing as executive directors, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, 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 purposes only*