CNBM

China National Building Material Company Limited*

中 國 建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

Announcement of Annual Results For the Year Ended 31 December 2016

For the year ended 31 December 2016, the Group's consolidated operating revenue amounted to RMB101,547 million, representing an increase of 1.2% as compared to the same period of 2015.

The audited profit attributable to equity holders of the Company amounted to RMB1,058 million, representing an increase of approximately 3.8% as compared to the same period of 2015.

Basic earnings per share was RMB0.20, representing an increase of 3.8% over the same period of 2015.

The Board recommends to distribute a final dividend of RMB232,158,129.27 in total (pre-tax) for 2016 (2015: RMB199,763,971.69 in total (pre-tax)), representing RMB0.043 per share (pre-tax) (2015: RMB0.037 per share (pre-tax)) based on 5,399,026,262 shares in issue as at the date of this announcement.

The Board is pleased to announce the consolidated results and the financial position of the Group for the year ended 31 December 2016 prepared in accordance with IFRS, together with the consolidated results and financial position for the year of 2015 for comparison.

The audited financial statements of the Group for the year ended 31 December 2016 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 2016

	Note	**2016** ***RMB'000***	2015 *RMB'000* (Restated)
Revenue	4	**101,546,783**	100,362,429
Cost of sales		**(74,755,173)**	(75,742,646)
Gross profit		**26,791,610**	24,619,783
Investment and other income	6	**3,637,098**	6,295,543
Selling and distribution costs		**(7,239,443)**	(7,110,376)
Administrative expenses		**(10,598,576)**	(9,498,560)
Finance costs – net	7	**(9,293,513)**	(10,532,177)
Share of profits of associates		**763,260**	331,171
Profit before income tax	8	**4,060,436**	4,105,384
Income tax expense	9	**(1,238,192)**	(1,312,622)
Profit for the year		**2,822,244**	2,792,762
Profit attributable to:			
Owners of the Company		**1,058,171**	1,019,461
Holders of perpetual capital instruments		**527,103**	325,592
Non-controlling interests		**1,236,970**	1,447,709
		2,822,244	2,792,762
Earnings per share			
– basic and diluted *(RMB)*	11	**0.20**	0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**2,822,244**	2,792,762
Other comprehensive expenses, net of tax: *(Note 9(b))*		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	**276**	(26,341)
– Changes in fair value of available-for-sale financial assets	**(497,021)**	(80,752)
– Shares of associates' other comprehensive income	**14,019**	19,016
Other comprehensive expenses for the year, net of tax	**(482,726)**	(88,077)
Total comprehensive income for the year	**2,339,518**	2,704,685
Total comprehensive income attributable to:		
Owners of the Company	**560,473**	917,059
Holders of perpetual capital instruments	**527,103**	325,592
Non-controlling interests	**1,251,942**	1,462,034
Total comprehensive income for the year	**2,339,518**	2,704,685

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016** **RMB'000**	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment		**129,088,091**	126,225,430	126,019,342
Prepaid lease payments		**14,660,619**	14,512,689	14,107,910
Investment properties		**315,660**	323,395	300,472
Goodwill		**42,604,255**	42,604,255	42,847,327
Intangible assets		**7,259,784**	7,144,897	5,336,403
Interests in associates		**10,715,153**	10,347,973	10,016,030
Available-for-sale financial assets		**3,095,655**	3,331,163	1,301,689
Deposits		**3,522,251**	4,213,178	6,584,989
Deferred income tax assets		**4,821,436**	4,015,509	3,251,399
		216,082,904	212,718,489	209,765,561
Current assets				
Inventories		**15,204,778**	15,164,523	16,663,437
Trade and other receivables	12	**76,576,890**	69,693,707	60,973,346
Available-for-sale financial assets		**43,998**	132,480	–
Financial assets at fair value through profit or loss		**2,692,941**	3,084,343	1,978,704
Amounts due from related parties		**11,928,255**	12,694,943	11,133,077
Pledged bank deposits		**7,973,769**	5,746,301	5,704,068
Cash and cash equivalents		**10,250,639**	10,584,045	10,294,381
		124,671,270	117,100,342	106,747,013

	Note	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)
Current liabilities				
Trade and other payables	13	**49,353,538**	46,291,969	51,271,854
Amounts due to related parties		**6,058,394**	7,342,940	1,713,831
Borrowings – amount due within one year		**140,802,387**	144,425,583	139,292,634
Obligations under finance leases		**4,935,082**	4,456,608	4,490,609
Current income tax liabilities		**1,885,842**	1,652,014	1,913,310
Financial guarantee contracts due within one year		**56,981**	56,981	–
Dividend payable to non-controlling interests		**311,380**	216,528	441,789
		203,403,604	204,442,623	199,124,027
Net current liabilities		**(78,732,334)**	(87,342,281)	(92,377,014)
Total assets less current liabilities		**137,350,570**	125,376,208	117,388,547
Non-current liabilities				
Borrowings – amount due after one year		**44,492,436**	30,501,188	37,731,114
Deferred income		**968,633**	1,108,573	1,222,202
Obligations under finance leases		**14,141,494**	18,150,330	9,142,563
Financial guarantee contracts due after one year		**–**	–	56,981
Deferred income tax liabilities		**2,180,470**	2,124,057	2,227,781
		61,783,033	51,884,148	50,380,641
Net assets		**75,567,537**	73,492,060	67,007,906

	Note	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)
Capital and reserves				
Share capital		**5,399,026**	5,399,026	5,399,026
Reserves		**36,450,806**	36,516,657	35,204,549
Equity attributable to				
Owners of the Company		**41,849,832**	41,915,683	40,603,575
Perpetual capital instruments		**12,003,686**	9,994,863	5,000,125
Non-controlling interests		**21,714,019**	21,581,514	21,404,206
Total equity		**75,567,537**	73,492,060	67,007,906

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 2016 have been agreed by the Group's auditor, Baker Tilly HK, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly HK on the preliminary announcement.

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain available-for-sale financial assets and financial assets at fair value through profit or loss that are measured at fair values.

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, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in 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.

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

2.1 Application of new and amendments IFRSs

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle

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

2.2 New and amendments IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IAS 40	Transfers of Investment Property[3]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate of Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle[6]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2018, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
5 Effective for annual periods beginning on or after a date to be determined.
6 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018 as appropriate.

The Group is in the process of an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

IFRS 16 Leases

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB284.88 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as mentioned above, the directors of the Company do not anticipate that the application of the IFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3.1 Critical judgements in applying accounting policies

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

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

BNBM is a subsidiary of the Group although the Group has only 35.73% (2015: 45.2%) equity interests and voting rights in BNBM. BNBM is listed on the stock exchange of Shenzhen, PRC. The Group has decreased the equity interests in BNBM to 35.73% from 45.2% since October 2016 and the remaining 64.27% equity interests are owned by thousands of shareholders that are unrelated to the Group.

The management of the Company assessed whether or not the Group has control over BNBM based on whether the Group has the practical ability to direct the relevant activities of BNBM unilaterally. In making the judgement, the management considered the Group's absolute size of holding in BNBM 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 of BNBM and therefore the Group has control over BNBM.

Significant influence over 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% (2015: 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.

3.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2016, the carrying amount of property, plant and equipment is approximately RMB129,088.09 million (2015: approximately RMB126,225.43 million).

Write down of inventories

Inventories are stated at the lower at cost and net realisable value. During the year, allowance of RMB20.33 million is made to write down the cost of inventories to their net realisable values (2015: reversal of provision of inventories of approximately RMB61.79 million).

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. 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 may arise. As at 31 December 2016, the carrying amount of goodwill is approximately RMB42,604.26 million (2015: approximately RMB42,604.26 million).

Income taxes

As at 31 December 2016, a deferred tax asset of approximately RMB3,036.43 million (2015: approximately RMB2,442.50 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 RMB14,258.77 million (2015: approximately RMB12,839.19 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 take place.

Allowance for bad and doubtful debts

During the year, the Group provided allowance for bad and doubtful debts of approximately RMB1,151.55 million (2015: approximately RMB548.98 million) based on an assessment of the present value of the estimated future cash flow from trade and other receivables. Allowance on the estimated future cash flow is applied where events or changes in circumstances indicate that the part of or the whole balances may not be recoverable. The estimation of future cash flow from trade and other receivables requires the use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact on the carrying amount of trade and other receivables and doubtful debts expenses in the year in which such estimate has been changed.

Fair value measurements and valuation processes

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

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

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

Impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The determination of fair value of available-for-sale financial assets without quoted prices in active markets requires management to make assumptions and to apply judgement regarding the input data and relevant parameters in the valuation.

During the year, the management has not provided any impairment loss on the Group's available-for-sale financial assets.

4 REVENUE

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Sale of goods	**92,436,803**	92,069,441
Provision of engineering services	**7,742,242**	7,046,646
Rendering of other services	**1,367,738**	1,246,342
	101,546,783	100,362,429

5 SEGMENTS INFORMATION

(a) Operating segments

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

Principal activities are as follows:

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

More than 90% of the Group's operations and assets are located in the PRC for the years ended 31 December 2016 and 2015.

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

Year ended 31 December 2016

	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite 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	**60,504,197**	**21,099,858**	**7,677,304**	**2,513,192**	**7,806,374**	**1,945,858**	**–**	**101,546,783**
Inter-segment sales *(Note)*	**3,125,549**	**–**	**5,477**	**–**	**290,585**	**889,889**	**(4,311,500)**	**–**
	63,629,746	**21,099,858**	**7,682,781**	**2,513,192**	**8,096,959**	**2,835,747**	**(4,311,500)**	**101,546,783**
Adjusted EBITDA	**14,553,797**	**2,230,875**	**2,154,477**	**440,342**	**1,094,662**	**(134,630)**	**–**	**20,339,523**
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	**(6,321,754)**	**(822,154)**	**(415,662)**	**(95,879)**	**(177,109)**	**(100,689)**	**–**	**(7,933,247)**
Unallocated other income								**406,070**
Unallocated administrative expenses								**(221,657)**
Share of profits of associates	**189,811**	**–**	**5,751**	**31,085**	**365**	**536,248**	**–**	**763,260**
Finance costs – net	**(7,111,150)**	**(1,381,064)**	**(81,891)**	**(29,444)**	**(399,538)**	**(244,231)**	**–**	**(9,247,318)**
Unallocated finance costs – net								**(46,195)**
Profit before income tax								**4,060,436**
Income tax expense								**(1,238,192)**
Profit for the year								**2,822,244**

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

The segment result is disclosed as EBITDA, the profit/(loss) earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits of associates 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, bills payable and borrowings attributable to sales activities of each segment with the exception of corporate expense payables.

	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Other information								
Capital expenditure:								
Property, plant and equipment	**8,264,937**	**571,110**	**654,882**	**169,541**	**672,821**	**383,880**	**-**	**10,717,171**
Prepaid lease payments	**290,062**	**772**	**49,939**	**32,022**	**3,010**	**104,421**	**-**	**480,226**
Intangible assets	**582,501**	**11,832**	**19,372**	**3,796**	**8,633**	**394**	**-**	**626,528**
Unallocated								**13,794**
	9,137,500	**583,714**	**724,193**	**205,359**	**684,464**	**488,695**		**11,837,719**
Acquisition of subsidiaries	**-**	**-**	**-**	**236,568**	**-**	**-**	**-**	**236,568**
Depreciation and amortisation:								
Property, plant and equipment	**5,613,391**	**801,933**	**369,683**	**89,186**	**162,394**	**83,446**	**-**	**7,120,033**
Intangible assets	**399,348**	**4,210**	**11,467**	**1,972**	**6,313**	**11,857**	**-**	**435,167**
Unallocated								**59,500**
	6,012,739	**806,143**	**381,150**	**91,158**	**168,707**	**95,303**		**7,614,700**
Prepaid lease payments released to the consolidated statement of profit or loss	**309,015**	**16,011**	**34,512**	**4,721**	**8,402**	**5,386**	**-**	**378,047**
Allowance/(reversal of provision) for bad and doubtful debts	**771,909**	**188,507**	**6,895**	**(947)**	**135,005**	**50,181**	**-**	**1,151,550**
Write down of inventories	**5,151**	**-**	**-**	**-**	**15,178**	**-**	**-**	**20,329**

	Cement	Concrete	Lightweight building materials	Glass fibre and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated statement of financial position								
Assets								
Segment assets	209,435,150	43,270,212	12,293,214	5,622,909	17,272,276	6,246,408	-	294,140,169
Interests in associates	6,255,073	-	125,763	3,671,836	17,688	644,793	-	10,715,153
Unallocated assets								35,898,852
Total consolidated assets								340,754,174
Liabilities								
Segment liabilities	(140,452,555)	(14,354,993)	(3,396,137)	(3,168,229)	(16,990,015)	(8,156,158)	-	(186,518,087)
Unallocated liabilities								(78,668,550)
Total consolidated liabilities								(265,186,637)

Year ended 31 December 2015

	Cement *RMB'000* (Restated)	Concrete *RMB'000* (Restated)	Lightweight building materials *RMB'000* (Restated)	Glass fibre and composite materials *RMB'000* (Restated)	Engineering services *RMB'000* (Restated)	Others *RMB'000* (Restated)	Eliminations *RMB'000* (Restated)	Total *RMB'000* (Restated)
Consolidated statement of profit or loss								
Revenue								
External sales	59,096,900	21,461,965	7,084,563	3,260,519	7,185,850	2,272,632	–	100,362,429
Inter-segment sales *(Note)*	2,745,344	–	3,588	–	882,537	715,494	(4,346,963)	–
	61,842,244	21,461,965	7,088,151	3,260,519	8,068,387	2,988,126	(4,346,963)	100,362,429
Adjusted EBITDA	15,614,849	2,891,170	1,918,129	510,637	1,249,818	(185,063)	–	21,999,540
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(6,217,647)	(864,110)	(394,318)	(90,983)	(138,555)	(74,581)	–	(7,780,194)
Unallocated other income								360,549
Unallocated administrative expenses								(273,505)
Share of profits/(losses) of associates	139,960	–	5,856	(58,119)	(1,238)	244,712	–	331,171
Finance costs – net	(7,224,868)	(2,054,538)	(126,009)	(33,073)	(337,395)	(188,290)	–	(9,964,173)
Unallocated finance costs – net								(568,004)
Profit before income tax								4,105,384
Income tax expense								(1,312,622)
Profit for the year								2,792,762

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

The segment result is disclosed as EBITDA, i.e. the profit/(loss) earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits/(losses) of associates 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, bills payable and borrowings attributable to sales activities of each segment with the exception of corporate expense payables.

	Cement *RMB'000* (Restated)	Concrete *RMB'000* (Restated)	Lightweight building materials *RMB'000* (Restated)	Glass fibre and composite materials *RMB'000* (Restated)	Engineering services *RMB'000* (Restated)	Others *RMB'000* (Restated)	Eliminations *RMB'000* (Restated)	Total *RMB'000* (Restated)
Other information								
Capital expenditure:								
Property, plant and equipment	5,470,834	389,903	741,246	209,378	389,603	295,012	–	7,495,976
Prepaid lease payments	351,248	16,307	360,815	–	11,041	44,012	–	783,423
Intangible assets	1,291,845	10,358	18,532	14,257	14,337	818,199	–	2,167,528
Unallocated								27,368
	7,113,927	416,568	1,120,593	223,635	414,981	1,157,223		10,474,295
Acquisition of subsidiaries	344,555	–	144,884	–	1,201	83,492	–	574,132
Depreciation and amortisation								
Property, plant and equipment	5,551,875	843,320	340,702	84,651	122,055	59,599	–	7,002,202
Intangible assets	356,274	2,635	11,397	2,064	7,834	10,323	–	390,527
Unallocated								59,597
	5,908,149	845,955	352,099	86,715	129,889	69,922		7,452,326

	Cement	Concrete	Lightweight building materials	Glass fibre and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Prepaid lease payments released to the consolidated statement of profit or loss	309,498	18,155	42,219	4,268	8,666	4,659	–	387,465
Allowance for bad and doubtful debts	193,349	230,747	3,562	64,110	40,047	17,165	–	548,980
Reversal of provision of inventories	(283)	–	–	–	–	(61,507)	–	(61,790)
Consolidated statement of financial position								
Assets								
Segment assets	201,387,744	44,956,550	11,662,524	5,369,539	13,766,279	6,673,901	–	283,816,537
Interests in associates	6,355,151	–	109,360	3,309,452	17,315	556,695	–	10,347,973
Unallocated assets								35,654,321
Total consolidated assets								329,818,831
Liabilities								
Segment liabilities	(151,416,516)	(13,582,879)	(3,739,641)	(3,019,662)	(14,063,492)	(6,597,271)	–	(192,419,461)
Unallocated liabilities								(63,907,310)
Total consolidated liabilities								(256,326,771)

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Adjusted EBITDA for reportable segments	**20,474,153**	22,184,603
Adjusted EBITDA for other segment	**(134,630)**	(185,063)
Eliminations	**–**	–
Total segments profit	**20,339,523**	21,999,540
Depreciation of property, plant and equipment	**(7,120,033)**	(7,002,202)
Amortisation of intangible assets	**(435,167)**	(390,527)
Prepaid lease payments released to the consolidated statement of profit or loss	**(378,047)**	(387,465)
Corporate items	**184,413**	87,044
Operating profit	**12,590,689**	14,306,390
Finance costs – net	**(9,293,513)**	(10,532,177)
Share of profits of associates	**763,260**	331,171
Profit before income tax	**4,060,436**	4,105,384

(b) Geographical segments

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

Revenue from external customers

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
PRC	**98,608,866**	97,946,944
Europe	**816,286**	911,301
Middle East	**13,838**	333,685
Southeast Asia	**1,475,010**	413,082
Oceania	**60**	1,331
Others	**632,723**	756,086
	101,546,783	100,362,429

(c) Information of major customers

No single customer amounted for 10% or more of the total revenue for the years ended 31 December 2016 and 2015.

6 INVESTMENT AND OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Dividends from available-for-sale financial assets	**40,201**	33,746
Discount on acquisition of interests in subsidiaries	**3,097**	34,080
Gain on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**–**	33,674
Government subsidies:		
– VAT refunds *(Note (a))*	**1,176,933**	1,281,280
– Government grants *(Note (b))*	**1,549,191**	3,444,283
– Interest subsidy	**49,554**	116,766
Gain on disposal of subsidiaries, net	**–**	31,084
(Decrease)/increase in fair value of financial assets at fair value through profit or loss, net	**(71,402)**	438,678
Net rental income from:		
– Investment properties	**12,557**	7,947
– Land and building	**45,755**	124,680
– Equipment	**184,085**	175,873
Technical and other service income	**101,369**	102,972
Gain on disposal of interests in associates	**239,249**	80,499
Waiver of payables	**120,990**	70,393
Others	**185,519**	319,588
	3,637,098	6,295,543

Notes:

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

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

7 FINANCE COSTS – NET

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Interest expenses on bank borrowings:		
– wholly repayable within five years	**5,461,897**	6,903,696
– not wholly repayable within five years	**9,952**	–
	5,471,849	6,903,696
Interest expenses on bonds, other borrowings and finance leases	**4,660,400**	4,518,511
Less: interest capitalised to construction in progress	**(173,488)**	(336,258)
	9,958,761	11,085,949
Interest income:		
– interest on bank deposits	**(452,879)**	(435,339)
– interest on loans receivables	**(212,369)**	(118,433)
	(665,248)	(553,772)
Finance costs – net	**9,293,513**	10,532,177

Borrowing costs capitalised for the year ended 31 December 2016 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 3.22% (2015: 4.87%) per annum to expenditure on the qualifying assets.

8 PROFIT BEFORE INCOME TAX

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Depreciation of:		
property, plant and equipment	**7,169,970**	7,052,774
investment properties	**9,563**	9,025
	7,179,533	7,061,799
Amortisation of intangible assets	**435,167**	390,527
Total depreciation and amortisation	**7,614,700**	7,452,326
Impairment loss on available-for-sale financial assets	**1,512**	2,734
Impairment loss on goodwill	**–**	391,180
Impairment loss on property, plant and equipment recognised	**203,748**	–
Cost of inventories recognised as expenses	**67,403,934**	68,046,735
Prepaid lease payments released to the consolidated statement of profit or loss	**378,047**	387,465
Loss/(gain) on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**35,078**	(33,674)
Auditor's remuneration	**15,318**	14,026
Staff costs including directors' remunerations:		
Salaries, bonus and other allowances	**7,884,213**	8,192,248
Retirement plan contributions	**843,977**	909,570
Total staff costs	**8,728,190**	9,101,818
Allowance for bad and doubtful debts	**1,151,550**	548,980
Write down/(reversal of provision) of inventories	**20,329**	(61,790)
Operating lease rentals	**302,197**	283,979
Net foreign exchange losses/(gain)	**69,115**	(53,037)

9 INCOME TAX EXPENSE

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current income tax	**1,984,391**	2,163,062
Deferred income tax	**(746,199)**	(850,440)
	1,238,192	1,312,622

PRC income tax is calculated at 25% (2015: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**4,060,436**	4,105,384
Tax at domestic income tax rate of 25% (2015: 25%)	**1,015,109**	1,026,346
Tax effect of:		
Share of profits of associates	**(190,815)**	(82,800)
Expenses not deductible for tax purposes	**371,673**	101,487
Income not taxable for tax purposes	**(83,600)**	(578,786)
Tax effect of tax losses not recognised	**1,213,502**	1,948,028
Utilisation of previously unrecognised tax losses	**(508,654)**	(641,135)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note)*	**(5,581)**	–
Effect of different tax rates of subsidiaries	**(573,442)**	(460,518)
Income tax expense	**1,238,192**	1,312,622

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

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

	2016			2015		
	Before taxation ***RMB'000***	**Taxation credited** ***RMB'000***	**Net of taxation** ***RMB'000***	Before taxation *RMB'000* (Restated)	Taxation credited *RMB'000* (Restated)	Net of taxation *RMB'000* (Restated)
Currency translation differences	**(276)**	**–**	**(276)**	26,341	–	26,341
Changes in fair value of available-for-sale financial assets	**500,336**	**(3,315)**	**497,021**	110,339	(29,587)	80,752
Share of associates' other comprehensive income, net	**(14,019)**	**–**	**(14,019)**	(19,016)	–	(19,016)
Other comprehensive expenses	**486,041**	**(3,315)**	**482,726**	117,664	(29,587)	88,077

10 DIVIDENDS

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Dividends paid	**199,764**	890,839
Proposed final dividend – RMB0.043 (2015: RMB0.037) per share (see below)	**232,158**	199,764

The final dividend of RMB232,158,129.27 in total (pre-tax) has been proposed by the board of directors on 24 March 2017.

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

11 EARNINGS PER SHARE – BASIC AND DILUTED

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**1,058,171**	1,019,461

	2016	2015
	'000	*'000*
Weighted average number of ordinary shares in issue	**5,399,026**	5,399,026

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

12 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Trade receivables, net of allowance for bad and doubtful debts *(Note (b))*	**30,289,627**	29,718,076
Bills receivable *(Note (c))*	**8,550,685**	5,680,291
Amounts due from customers for contract work	**6,109,450**	4,836,005
Prepaid lease payments	**358,573**	363,736
Other receivables, deposits and prepayments	**31,268,555**	29,095,599
	76,576,890	69,693,707

Notes:

(a) The carrying amounts of the trade and other receivables approximate to their fair values.

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

The ageing analysis of trade receivables is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within two months	**6,074,082**	7,864,894
More than two months but within one year	**16,564,522**	14,958,975
Between one and two years	**5,549,174**	5,469,809
Between two and three years	**1,529,410**	1,092,681
Over three years	**572,439**	331,717
	30,289,627	29,718,076

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

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB4,525.71 million (2015: approximately RMB5,006.69 million) which are over the credit period at the reporting date for which the Group has not provided allowance for bad and doubtful debts in accordance with the Group's policy and no further impairment loss was made. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2016, the retention receivables of approximately RMB236.96 million (2015: approximately RMB234.60 million) and receivables within contractual payment term of approximately RMB33.41 million (2015: approximately RMB19.09 million) with ageing over one year are not past due.

Ageing of trade receivables which are past due but not impaired:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
More than two months but within one year	**2,842,145**	3,657,458
Between one and two years	**893,762**	760,793
Between two and three years	**430,243**	240,356
Over three years	**359,561**	348,084
	4,525,711	5,006,691

(e) Movement in the allowance for bad and doubtful debts:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
As at 1 January	**3,000,991**	2,485,546
Additions from acquisition of subsidiaries	**40**	3,334
Disposal of subsidiaries	**–**	(36,869)
Allowance for bad and doubtful debts	**1,151,550**	548,980
Amounts written off as uncollectible	**(5,562)**	–
As at 31 December	**4,147,019**	3,000,991

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
RMB	**72,609,550**	68,876,704
EUR	**520,293**	254,196
PGK	**19,774**	7,024
USD	**3,084,438**	306,915
THB	**179,846**	8,843
Others	**162,989**	240,025
	76,576,890	69,693,707

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted to the report date.

(g) As at 31 December 2016, approximately RMB781.43 million (2015: approximately RMB328.31 million) of the trade receivables and approximately RMB46.07 million (2015: approximately RMB44.99 million) of bills receivable have pledged to secure bank loans granted to the Group.

13 TRADE AND OTHER PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within two months	**4,336,387**	7,640,216
More than two months but within one year	**11,232,694**	7,764,557
Between one and two years	**2,607,426**	2,309,741
Between two and three years	**749,680**	497,350
Over three years	**859,617**	694,812
Trade payables	**19,785,804**	18,906,676
Bills payable	**13,077,193**	10,300,827
Amounts due to customers for contract work	**495,578**	491,418
Other payables	**15,994,963**	16,593,048
	49,353,538	46,291,969

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

BUSINESS HIGHLIGHTS

The major operating data of each segment of the Group for 2016 and 2015 are set out below:

Cement Segment

China United

	For the year ended 31 December	
	2016	2015
Production volume - cement *(in thousand tonnes)*	**55,990**	48,300
Production volume - clinker *(in thousand tonnes)*	**52,860**	51,750
Sales volume - cement *(in thousand tonnes)*	**50,853**	43,753
Sales volume - clinker *(in thousand tonnes)*	**16,152**	19,356
Unit selling price - cement *(RMB per tonne)*	**211.0**	195.5
Unit selling price - clinker *(RMB per tonne)*	**175.5**	165.9
Sales volume - commercial concrete *(in thousand m^3)*	**33,005**	29,010
Unit selling price - commercial concrete *(RMB per m^3)*	**272.1**	287.6

South Cement

	For the year ended 31 December	
	2016	2015
Production volume - cement *(in thousand tonnes)*	**96,971**	96,258
Production volume - clinker *(in thousand tonnes)*	**86,264**	88,544
Sales volume - cement *(in thousand tonnes)*	**90,534**	90,649
Sales volume - clinker *(in thousand tonnes)*	**21,942**	23,652
Unit selling price - cement *(RMB per tonne)*	**200.8**	212.1
Unit selling price - clinker *(RMB per tonne)*	**170.1**	159.4
Sales volume - commercial concrete *(in thousand m^3)*	**36,468**	37,503
Unit selling price - commercial concrete *(RMB per m^3)*	**293.6**	312.2

North Cement

	For the year ended 31 December	
	2016	2015
Production volume - cement *(in thousand tonnes)*	**19,061**	16,809
Production volume - clinker *(in thousand tonnes)*	**14,363**	11,341
Sales volume - cement *(in thousand tonnes)*	**19,171**	16,838
Sales volume - clinker *(in thousand tonnes)*	**3,200**	1,851
Unit selling price - cement *(RMB per tonne)*	**257.7**	289.1
Unit selling price - clinker *(RMB per tonne)*	**198.9**	206.6
Sales volume - commercial concrete *(in thousand m^3)*	**2,443**	2,422
Unit selling price - commercial concrete *(RMB per m^3)*	**294.5**	314.6

Southwest Cement

	For the year ended 31 December	
	2016	2015
Production volume - cement *(in thousand tonnes)*	**85,173**	79,773
Production volume - clinker *(in thousand tonnes)*	**60,867**	57,906
Sales volume - cement *(in thousand tonnes)*	**85,121**	79,539
Sales volume - clinker *(in thousand tonnes)*	**2,182**	2,282
Unit selling price - cement *(RMB per tonne)*	**213.8**	230.7
Unit selling price - clinker *(RMB per tonne)*	**204.5**	196.2
Sales volume - commercial concrete *(in thousand m^3)*	**1,247**	1,044
Unit selling price - commercial concrete *(RMB per m^3)*	**259.0**	253.9

Lightweight Building Materials Segment

	For the year ended 31 December	
	2016	2015
Gypsum boards – BNBM		
Production volume *(in million m^2)*	**263.9**	227.8
Sales volume *(in million m^2)*	**264.1**	227.2
Average unit selling price *(RMB per m^2)*	**5.92**	6.18
Gypsum boards – Taishan Gypsum		
Production volume *(in million m^2)*	**1,368.0**	1,242.8
Sales volume *(in million m^2)*	**1,371.3**	1,219.1
Average unit selling price *(RMB per m^2)*	**3.88**	4.12

Glass Fibre And Composite Materials Segment

	For the year ended 31 December	
	2016	2015
Rotor blade		
Production volume *(in blade)*	**3,707**	6,719
Sales volume *(in blade)*	**4,126**	6,540
Average unit selling price *(RMB per blade)*	**453,500**	383,900

CHAIRMAN'S STATEMENT

Dear shareholders,

In 2016, the outset year of the "Thirteenth Five-year Plan", China adhered to the general keynote of making progress while ensuring stability for its economy. While focusing on the supply-side structural reform, it amplified the total demand to an adequate extent. Accordingly, the national economy was getting better in gradual stabilization. China's GDP increased by 6.7% year on year and the fixed asset investment increased by 8.1% year on year. The economic operation of building materials industry bottomed out and maintained a stable and positive momentum and economic benefits continued to improve as driven by a rational rally in the prices of major products.

In spite of the trials and tribulations the Company encountered, the year 2016 also witnessed the solidarity, the upward endeavors and the remarkable achievements of the Company. In the face of extremely complex domestic and international economic conditions and under tremendous operating pressures, the Company, under the leadership of the Board, analyzed the phasic situation accurately and concentrated its efforts on production and operation, improvement of quality and efficiency, transformation and upgrade as well as renovation and innovation. For the year 2016, the Group's consolidated operating revenue amounted to RMB101,546.8 million, representing an increase by 1.2% as compared to the same period last year whereas the profit attributable to equity holders of the Company amounted to RMB1,058.2 million, representing an increase by 3.8 % as compared to the same period last year. Last year, the management and the entire staff made concerted efforts and overcame various challenges, and managed to achieve the restorative growth in economic benefits. Since our achievements were hard earned, the experiences therefrom are very precious. Meanwhile, I hereby express my heartfelt gratitude to all our Shareholders for their lasting great support and trust.

On behalf of the Board, I am pleased to present the Company's 2016 Annual Report and major results to you.

In 2016, the Company carried out its work thoroughly in close adherence to the five operation and management guiding principles, namely "quality and efficiency enhancement and transformation and upgrade", "preparation, meticulosity, refinement, solidity", "Four Execution & Four Control and Four Increase & Four Reduction", "price stabilization, cost reduction, receivables collection, inventory control and adjustment" and "profit and efficiency as the first priority". For the cement segment, the Company vigorously promoted the supply-side reform, implemented strict control over new production capacity, eliminated the obsolete production capacity and levelled up the industry standards, thus accelerating the development of the "Four Modernizations" of cement and extending the industrial chain; meanwhile, it proactively participated in the market co-opetition and peak shifting production, resulting in a significant increase in price as well as enhancement of efficiency at a stable and secured price. For the non-cement segment, the Company continued to make new breakthroughs in the "Three New" industries in respect of products, technologies and business models; meanwhile, it took full advantage of the opportunities in the wake of "One Belt, One Road" initiative to expedite the course of its "Going Global" strategy. As a result, the profitability of the gypsum board business, glass fiber business, rotor blade business and engineering services business improved steadily.

The Company attached great importance to information-based management, strengthened the benchmarking management of KPI, constantly pushed forward delicacy management, and implemented the cost and expense saving plan. Meanwhile, it reduced cost and enhanced efficiency through various measures including centralized procurement, energy conservation and consumption reduction as well as technical upgrade. Besides, the Company persisted in the principles of "simplified organization and capable personnel", progressively pressed ahead the "Four Reduction", further streamlined the organizations and devoted more efforts in "downsizing" to improve management efficiency. In addition, it also intensified its internal control management and monitored risks closely.

In the coming year, the Company will capitalize on the opportunities on time and cohesively embrace challenges with strong confidence as always.

In 2017, the international economy is faced with a number of uncertainties whereas the domestic economy is progressing amid stability and showing a positive trend. China's economic fundamentals remain favorable for long-term growth, and the economy remains resilient with strong potential and ample room for growth. As new economies and new driving forces are accelerating their growth pace and the traditional industries are speeding up transformation and upgrade, China's economy is expected to maintain medium to high-speed growth. Meanwhile, as China's economy is in the critical period for gear-shifting of growth speed, adjustment of structure and transformation of driving forces, market demands are relatively fatigued while endogenous impetus of investment growth are insufficient, which also put forward higher demands for enterprises. From the perspective of the industry landscape, opportunities still prevail over challenges. Firstly, opportunities arise from stable growth. China's goal of around 6.5% GDP growth for 2017 has built up a safety net for the development of the building materials industry. Following the synergetic development of regions and the accelerated implementation of a new round of "opening-up" strategies, the country is vigorously pressing forward the major projects under the "Thirteenth Five-year Plan", infrastructures of cities and towns, underground pipe utilities, affordable housing projects, construction of new countryside, "Going Global" of equipment and international cooperation on production capacities, which will provide a vast market space for the development of building materials manufacturing and building materials services sectors. Secondly, the supply-side structural reform brings along opportunities. At the Central Economic Working Conference, the supply-side structural reform was regarded as the main task of our economic work. The building materials sector further implemented the "Guoban Fa [No.34]" document and reached a broad consensus in restriction on new production capacity, peak shifting production, eliminating cement 32.5 and encouraging consolidation and restructuring. Therefore, the balance between supply and demand in the industry is expected to be further improved while the market environment is expected to be further optimized. Thirdly, the innovation and transformation will also give rise to opportunities. As driven by various factors including new technical revolution, business startups and innovations by the public and the launch of national carbon trading market, upgrade of the traditional industries and development of the emerging industries are both speeding up, which marks a turning point for the in-depth transformation and upgrade of the building materials industry.

In 2017, facing the opportunities and challenges, CNBM will adhere to the general keynote of making progress while ensuring stability, focus on the improvement of development quality and efficiency, and follow the main direction of boosting the supply-side structural reform. It will strive to accomplish the goal of stable growth by further implementing the general idea of "integrated optimization as well as quality and efficiency enhancement", the action guideline of "preparation, meticulousness, refinement, solidity and worship of pragmatic work", the policy of "price stabilization, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment" and the operating culture of "profit and efficiency as the first priority". Meanwhile, CNBM will continue to steadfastly push forward the industry self-regulation and market co-opetition and optimize the marketing management. It will further reinforce the delicacy management, comprehensively carry out "Four Reduction" and strictly control over scale of "Two Funds" to achieve the goal of downsizing and realize the cost reduction and efficiency improvement in a feasible manner. Furthermore, it will carry through the "three curves" development concepts, accelerate transformation and upgrade, proactively and steadily boost the internationalized development and strengthen the sustainable competitiveness. The Company is of confidence that it will triumph over the past in the course of becoming stronger, better and bigger, and spare no efforts to repay the Shareholders and the society.

Song Zhiping
Chairman of the Board

Beijing, the PRC
24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

Business segments	Major products and services	Major operating entities attributable to the Company	Direct and indirect equity interests held by the Company
Cement	NSP cement and commercial concrete	China United	100%
		South Cement	82.3%
		North Cement	70%
		Southwest Cement	70%
Lightweight building materials	Dry wall and ceiling system	BNBM	35.73%
Glass fibre and composite materials	Rotor blades	China Composites	100%
	Glass fibre	China Jushi	26.97%
Engineering services	Design and engineering EPC services: Float glass production lines and NSP cement production lines	China Triumph	91%

In 2016, the Group endeavored to overcome numerous difficulties brought by the sluggish demand and severe overcapacity. In abidance by the five operation and management guiding principles, namely "quality and efficiency enhancement and transformation and upgrade", "preparation, meticulosity, refinement, solidity", "Four Execution & Four Control and Four Increase & Four Reduction", "price stabilization, cost reduction, receivables collection, inventory control and adjustment" and "profit and efficiency as the first priority", it promoted production and operation in an all-round way, carried out in-depth management integration and stepped up transforamtion and upgrade. In 2016, the total sales volume of cement and clinker increased by 4.2% year on year to 291.2 million tonnes, commercial concrete sales volume increased by 4.6% year on year to 74.4 million m^3, gypsum board sales volume increased by 13.1% year on year to 1,635 million m^2, rotor blades sales volume decreased by 36.9% year on year to 4,126, total sales volume of glass fibre increased by 5.2% year on year to 1.12 million tonnes; the revenue of the Group increased by 1.2% year on year to RMB101,546.8 million and the profit attributable to the equity holders of the Company increased by 3.8% year on year to RMB1,058.2 million.

CEMENT SEGMENT

In 2016, China's economic situation remained grim under increasing downward pressure, while the fixed-asset investment was getting stabilized. As the real estate market gradually picked up and infrastructure projects were launched at a faster pace, the cement market witnessed a weak recovery and demand for cement showed a trend of slow growth. As a result, the national cement production increased by 2.3% year on year to 2.41 billion tonnes. As the supply-side reform in the cement sector was accelerated, the governmental authorities, associations and large enterprises devoted more efforts to promote a series of measures including peak shifting production, industry self-discipline, regional co-opetition and market integration, thus improving the balance between supply and demand at the current stage. As a result, the cement prices continually rebounded and subsequently demonstrated a robust upward trend.

In 2016, the central government gave top priority to the solution of excess capacity in the cement industry during the adjustment of the industry structure. As proposed in the Guidance to Encourage the Stable Growth, Structure Adjustment and Efficiency Enhancement of the Building Material Industry (Guo Fa Ban [2016] No. 34) (《關於促進建材工業穩增長調結構增效益的指導意見》(國辦發[2016]34號文)) issued by the State Council, the State will prohibit the construction of additional production capacity, eliminate the obsolete production capacity, and push ahead the consolidation and restructuring as well as peak shifting production. A number of notices were issued successively by certain ministries and commissions of the State to promote tiered tariff and peak shifting production and regulate overrun and overload, which helped resolve the contradiction of excess capacity in the cement industry. In 2016, the investment in the cement industry of China decreased by 13.81% year on year. The newly-added production capacity of clinkers was 25.58 million tonnes, representing a year on year decrease of 46%. Meanwhile, large cement enterprises further sped up consolidation and restructuring. The reorganization of the parent company and Sinoma Group Corporation and the integration of BBMG and JIDD contributed to the further optimization of the industrial structure, which further increased industry concentration. The aggregate market share of the top ten NSP cement clinker companies was 58%. (Sources: NBS, MIIT and China Cement Association).

In 2016, CNBM proactively responded to the tepid market demand, severe overcapacity and other grim situation, followed the principle of "preparation, meticulosity, refinement, solidity" and focused on the policy of "price stabilization, cost reduction, receivables collection, inventory control and structural adjustment". Adhering to the "PCP" business ideology and industry self-regulation, CNBM took an active part in promoting kiln suspension, limited production and peak shifting production by locations and stages and dynamically implemented high-level and meticulous co-opetition to consolidate the basis for stabilizing and raising cement prices. Marketing strategies were optimized at regional and factory-level to incorporate innovative sales ideas, while key projects were closely monitored to strengthen overall management and control. CNBM vigorously promoted the supply-side reform and sped up structural adjustment in an effort to develop the "Four Modernization" of cement. In addition, it implemented the cost savings plan in an all-round way, and further promoted the lean production and delicacy management. As at the end of 2016, the production capacity of cement reached 409 million tonnes.

China United

China United adhered to the "PCP" business ideology and actively promoted market co-opetition and peak shifting production, thus achieving stable or higher cement prices. As more measures were made to control and prevent the air pollution and regulate overrun and overload in the fourth quarter of the year, cement prices in Henan Province and its adjacent regions achieved restorative growth. By controlling clinker, stabilizing high-end product sales and expanding low-end product sales, China United optimized its marketing strategies on an on-going basis to increase its sales.

Through continued efforts in promoting in-depth management integration, China United fully implemented the cost and expense saving plan while enhancing its profitability. Inventory management was enhanced through determining reasonable inventory level by category and implementing the rules of "One Gaze, Two Controls, Three Reductions, Four Extensions (一盯二控三降四延)", thus reducing capital occupied by inventory.

China United actively fostered new growth points for its business and rapidly expanded its construction aggregate business, with a view to building the new advantages featuring vertically-integrated operation of cement, concrete and aggregate business. The regional integrated business model for commercial concrete was further implemented to exploit China United's advantages in high-level competition. Through accelerating the pace of "Going Global", a clinker production line in Mongolia with a daily production capacity of 2,500 tonnes was put into operation. At as the end of 2016, the production capacity of cement was 105 million tonnes.

South Cement

Adhering to the business ideology of "PCP" and focusing on management and control of clinker, South Cement actively promoted regional self-discipline and production curtailment as well as inter-regional market integration and resources exchange in an endeavor to stabilize or raise product prices. Besides, South Cement subdivided its basic markets to facilitate segmentation management, as well as strengthened expansion and building of core markets and key project markets.

Centering on "price increase, cost reduction, receivables collection and inventory control", South Cement implemented "all-round" market setback mechanism and delicacy management to increase operating efficiency. Through fully implementing the cost and expense saving plan and devoting more efforts in procurement and logistics management, the costs of production and procurement dropped significantly. By continually pushing ahead the "Four Reduction 2.0" initiative, total labour costs decreased compared with the same period last year while salary per capita saw a steady increase. Delicacy management on finance was improved to broaden financing channels and reduce financing costs. In addition, inventory management was strengthened to mitigate capital pressure while rationalizing management over receivables was enhanced to reduce capital occupancy. Furthermore, South Cement intensified construction of the two-tier professional platform for managing commercial concrete and promoted the organizational model of "central station + directly-controlled stations".

South Cement continued to promote the integration and construction of mining resources to reduce the costs of raw materials and improve its comprehensive competitiveness. At as the end of 2016, the production capacity of cement was 149 million tonnes.

North Cement

North Cement endeavored to overcome various unfavorable factors in the cement industry such as severe overcapacity, sluggish demand growth, and the impact of cement supplied from other regions. Further implementing the business ideology of "PCP", North Cement actively carried out and explored new models of market co-opetition, and proactively responded to and promoted peak shifting production in winter and kiln suspension and production curtailment in slack season to balance the production volume and prices. North Cement adjusted its sales strategy flexibly, and adopted the "One District, One Policy" concepts. Moreover, through rational allocation of key projects, North Cement significantly increased its sales volume.

North Cement further optimized its organizational structure and improved its management efficiency through on-going in-deep management integration and company-wide "Four Reduction" initiative. In addition, it intensified regional benchmarking assessment and strictly controlled production costs. The cost was reduced through centralized procurement and logistics management integration.

North Cement promoted the integration of mining resources and strengthened control over raw material costs. It made innovation in management model for commercial concrete and integrated with sales channels of cement and the resources of its clients to achieve mutual benefits. At as the end of 2016, the production capacity of cement was 32 million tonnes.

Southwest Cement

Southwest Cement deepened the business ideology of "PCP" and insisted on organic combination of multi-dimensional and meticulous coopetition. It insisted on to sales-based production and production-driven sales, and vigorously promoted peak shifting production. Through continuous optimization of production capacity distribution and dynamic adjustment of production operation, Southwest Cement improved the operating rate of kilns of dominant enterprises and increased the total output of clinkers.

The headquarters of Southwest Cement and Sichuan Southwest Cement were integrated to further optimize the organizational structure and restructure, which marked the completion of "5 + 1" organizational structure of member enterprises result to reduce labor cost per unit and to improve productivity. Southwest Cement reduced its procurement costs of raw materials by improving centralized procurement information system and actively exploring new procurement channels. Furthermore, it strengthened control of the key time points over receivables and achieved admirable performance in receivables collection.

Southwest Cement strove to enhance and to expand special cement business and promote high-end customized special cement, to speed up the industrial experiments of HLMC cement and to build a virtual operation platform relied on its technology and brand advantages. At as the end of 2016, the production capacity of cement was 120 million tonnes.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

BNBM continuously optimized marketing strategy and intensified brand marketing, thus further reinforcing its leading position in the gypsum board market; meanwhile, it promoted the benchmark management, aiming to build a six-star benchmark enterprise; new breakthroughs were achieved in respect of capital operation including accomplishment of restructuring through shares swap of 35% equity interests in Taishan Gypsum; due to the further implementation of "Four Reduction 2.0", the total number of staff and labour cost of unit product were effectively reduced; great achievements were made in reduction of "Two Funds", which continuously lowered the gearing ratio.

Being awarded "China Industrial Award", the top award in the industrial field of the PRC, demonstrated the comprehensive strength of BNBM; the costs were further reduced through successful development and all-round promotion and application of the new technologies of "tough and lightweight board" and "low-density gypsum board".

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

Composite materials business

China Composites, being market-oriented, continued to optimize the industrial layout of rotor blade to give full play to the advantages of blade production bases. It insisted on seizing market share with high-power blades, the sales of which increased continuously; due to the exertion of further efforts to speed up product adjustment, transformation and upgrade, and vigorous development of product application fields, China Composites saw rapid growth of carbon fibre business, and its products flowed from low- and medium-end markets to the high-end market and reached international leading level.

It further improved the cost management model and applied advanced technologies for refined control of manufacturing to improve the work efficiency and quality; more efforts were spent in inventory management to improve fund utilization rate.

Glass fibre business

In addition to further advancement of structure optimization and adjustment, China Jushi vigorously developed the key high-end market, resulting in stable increase in the proportion of high-end customers; new breakthroughs were obtained in respect of technological innovation. For instance, it successfully developed the formula for E8 high modulus glass and achieved stable and efficient production, and the project "Development of Technologies and Complete Sets of Equipment for Low-cost and Large-scale Production of High performance Glass Fibre (高性能玻璃纖維低成本大規模生產技術與成套裝備開發)" was awarded the second prize of National Scientific and Technological Progress Award (國家科學技術進步二等獎); reduction in cost and enhancement of efficiency were further advanced through continuous improvement of the "increasing, saving and reducing (增節降)" management system; the official laying of foundation for the smart glass fibre manufacturing base marked the thorough advancement of industrial integration; the inventory structure was also further optimized and the rate of superior products in inventory reached a historical high.

The globalization strategy was pushed forward steadily. The phase II production line of glass furnace with the annual capacity of 80,000 tonnes in Egypt was put into production as scheduled, and the construction of the phase III production line of high performance glass furnace with the annual capacity of 40,000 tonnes was commenced in an all-round way; the foundation has been laid for the production line of glass furnace with the annual capacity of 80,000 tonnes in the U.S..

ENGINEERING SERVICES SEGMENT

Closely centering on the national "One Belt, One Road" strategy, China Triumph developed the overseas market and carried out international cooperation in production capacity. Therefore, its new business was developed rapidly and the proportion of overseas projects increased continuously. In respect of the glass engineering market, efforts were made to achieve "sophistication, power and optimization" (做精、做強、做優) for glass technologies and China Triumph's share in the international market increased continuously; in respect of the cement engineering market, China Triumph strived to become stronger through providing high-quality products, and achieved long-term overall profit for overseas EPC projects; in respect of the new energy engineering market, relying on successful experience in EPC projects and industrial chain synergy, China Triumph became a pioneer in international new energy EPC projects.

Technological innovation was expedited in China Triumph. The laboratory conversion efficiency of cadmium telluride solar battery of German CTF company reached 17.8%, setting a new world record.

FINANCIAL REVIEW

Revenue of the Group increased by 1.2% to RMB101,546.8 million in 2016 from RMB100,362.4 million during 2015. Profit attributable to equity holders increased by 3.8% to RMB1,058.2 million in 2016 from RMB1,019.5 million during 2015.

Revenue

Our revenue increased by 1.2% to RMB101,546.8 million in 2016 from RMB100,362.4 million during 2015. The major reason was that the revenue of China United increased by RMB2,830.7 million, revenue of lightweight building materials segment increased by RMB594.6 million, revenue of North Cement increased by RMB285.6 million, revenue of engineering services segment increased by RMB28.6 million, but they were partially offset by the decrease in revenue of South Cement amounting to RMB2,083.0 million, the decrease in revenue of glass fiber and composite materials segment amounting to RMB747.3 million, and the decrease in revenue of Southwest Cement amounting to RMB90.8 million.

Cost of sales

Our cost of sales decreased by 1.3% to RMB74,755.2 million in 2016 from RMB75,742.6 million during 2015. The major reason was that the cost of sales of South Cement of the Group decreased by RMB2,138.6 million, the cost of sales of glass fiber and composite materials segment decreased by RMB518.6 million, the cost of sales of engineering services segment decreased by RMB197.5 million, the cost of sales of Southwest Cement decreased by RMB99.3 million, but they were partially offset by the increase in the cost of sales of China United amounting to RMB1,262.7 million, the increase in the cost of sales of North Cement amounting to RMB223.8 million and the cost of sales of lightweight building materials segment increased by RMB175.4 million.

Other income

Other income of the Group decreased by 42.2% to RMB3,637.1 million in 2016 from RMB6,295.5 million during 2015. This was primarily due to the government grants decreased from RMB3,444.3 million in 2015 to RMB1,549.2 million in 2016 and a net gain from change in fair value of financial assets at fair value through profit or loss of the Group decreased from RMB438.7 million in 2015 to RMB-71.4 million in 2016.

Selling and distribution costs

Selling and distribution costs increased by 1.8% from RMB7,110.4 million in 2015 to RMB7,239.4 million in 2016. The major reasons for such increase were an increase of RMB173.4 million in transportation costs, but they were partially offset by a decrease of RMB49.0 million in expenses for business trips and a decrease of RMB19.7 million in labor costs.

Administrative expenses

Administrative expenses increased by 11.6% to RMB10,598.6 million during 2016 from RMB9,498.6 million in 2015. This was primarily due to an increase of RMB602.6 million in provision for bad debts, an increase of RMB203.7 million in provision for impairment of fixed assets, an increase of RMB122.2 million in exchange loss, an increase of RMB112.7 million in research and development expenses, and an increase of RMB42.9 million in depreciation and amortisation of intangible assets.

Finance costs

Finance costs decreased by 11.8% to RMB9,293.5 million in 2016 from RMB10,532.2 million in 2015, primarily due to the decrease in interest rates of borrowings.

Share of profits of associates

Our share of profits of associates increased by 130.5% to RMB763.3 million in 2016 from RMB331.2 million in 2015, primarily due to the increase in profits of our associated companies in the cement business and glass fiber and composite materials segment of the Group.

Income tax expense

Income tax expense decreased by 5.7% to RMB1,238.2 million in 2016 from RMB1,312.6 million in 2015, primarily due to the decrease in profit before taxation.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased by 14.6% to RMB1,237.0 million in 2016 from RMB1,447.7 million in 2015, primarily due to the decrease in operating profit in cement segment and engineering services segment of the Group.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 3.8% to RMB1,058.2 million in 2016 from RMB1,019.5 million in 2015. Net profit margin kept flat at 1.0% in 2015 and 2016.

China United

Revenue

Revenue from China United increased by 14.1% to RMB22,936.8 million in 2016 from RMB20,106.1 million in 2015, mainly attributable to the increase in sales volume of cement products and commercial concrete and selling price of cement products, which was partially offset by the decrease in the selling price of commercial concrete.

Cost of sales

Cost of sales from China United increased by 8.0% to RMB16,978.6 million in 2016 from RMB15,716.0 million in 2015, mainly attributable to the increase in sales volume of cement products and commercial concrete and the increase in coal prices.

Gross profit and gross profit margin

Gross profit from China United increased by 35.7% to RMB5,958.1 million in 2016 from RMB4,390.1 million in 2015. Gross profit margin of China United increased from 21.8% in 2015 to 26.0% in 2016. The increase in gross profit margin was mainly due to the increase in selling price of cement products, which was partially offset by the increase in coal prices.

Operating profit

Operating profit from China United increased by 1.6% to RMB3,393.2 million in 2016 from RMB3,339.8 million in 2015. Operating profit margin for the segment decreased from 16.6% in 2015 to 14.8% in 2016. The decrease was primarily due to the decrease in government grants, yet partially offset by the increase in gross profit margin.

South Cement

Revenue

Revenue from South Cement decreased by 6.0% to RMB32,621.9 million in 2016 from RMB34,704.9 million in 2015, mainly attributable to the decrease in selling prices of cement and commercial concrete and sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales from South Cement decreased by 7.9% to RMB24,779.3 million in 2016 from RMB26,917.9 million in 2015, mainly attributable to the decrease in sales volume of cement products and commercial concrete, which was partially offset by the increase in the coal prices.

Gross profit and gross profit margin

Gross profit from South Cement increased by 0.7% to RMB7,842.6 million in 2016 from RMB7,787.0 million in 2015. Gross profit margin of South Cement increased from 22.4% in 2015 to 24.0% in 2016. The increase in gross profit margin was mainly due to the decrease in costs of electric power and raw materials, which was partially offset by the decrease in selling price of cement products and commercial concrete and the increase in coal prices.

Operating profit

Operating profit from South Cement increased by 0.9% to RMB3,383.4 million in 2016 from RMB3,353.9 million in 2015. Operating profit margin for the segment increased from 9.7% in 2015 to 10.4% in 2016. The increase was primarily due to the increase of gross profit margin, yet partially offset by the increase in provision for impairment of fixed assets and the decrease in government grants.

North Cement

Revenue

Revenue from North Cement increased by 4.8% to RMB6,297.1 million in 2016 from RMB6,011.5 million in 2015, mainly attributable to the increase in sales volume of cement products and commercial concrete, which was partially offset by the decrease in selling price of cement products and commercial concrete.

Cost of sales

Cost of sales from North Cement increased by 5.3% to RMB4,419.5 million in 2016 from RMB4,195.7 million in 2015, mainly attributable to the increase in sales volume of cement products and commercial concrete.

Gross profit and gross profit margin

Gross profit from North Cement increased by 3.4% to RMB1,877.6 million in 2016 from RMB1,815.8 million in 2015. Gross profit margin of North Cement decreased from 30.2% in 2015 to 29.8% in 2016, mainly due to the decrease in selling price of cement products and commercial concrete, which was partially offset by the decrease in costs of electric power and raw material.

Operating profit

Operating profit from North Cement decreased by 128.4% to RMB-367.0 million in 2016 from RMB1,291.4 million in 2015. Operating profit margin for the segment decreased from 21.5% in 2015 to -5.8% in 2016, primarily due to the decrease in the net gain from change in fair value of financial assets at fair value through profit or loss and government grants and the increase in provision for bad debts.

Southwest Cement

Revenue

Revenue from Southwest Cement decreased by 0.5% to RMB18,968.1 million in 2016 from RMB19,058.8 million in 2015, mainly attributable to the decrease in selling price of cement, which was partially offset by the increase in sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales from Southwest Cement decreased by 0.7% to RMB13,315.9 million in 2016 from RMB13,415.2 million in 2015.

Gross profit and gross profit margin

Gross profit from Southwest Cement increased by 0.2% to RMB5,652.2 million in 2016 from RMB5,643.6 million in 2015. Gross profit margin of Southwest Cement increased from 29.6% in 2015 to 29.8% in 2016. The increase in gross profit margin was mainly due to the decrease in cost of electric power and raw materials, which was partially offset by the decrease in selling price of cement and the increase in coal prices.

Operating profit

Operating profit from Southwest Cement decreased by 5.5% to RMB3,190.3 million in 2016 from RMB3,374.8 million in 2015. Operating profit margin for the segment decreased from 17.7% in 2015 to 16.8% in 2016, primarily due to the decrease in government grants.

Lightweight building materials segment

Revenue

Revenue from the lightweight building materials segment increased by 8.4% to RMB7,682.8 million in 2016 from RMB7,088.2 million in 2015. This was mainly attributable to the increase in the sales volume of gypsum boards, which was partially offset by the decrease in its selling price.

Cost of sales

Cost of sales from the lightweight building materials segment increased by 3.4% to RMB5,360.3 million in 2016 from RMB5,184.9 million in 2015. This was mainly attributable to the increase in the sales volume of gypsum boards, which was partially offset by the decline in the prices of main raw materials.

Gross profit and gross profit margin

Gross profit from the lightweight building materials segment increased by 22.0% to RMB2,322.5 million in 2016 from RMB1,903.2 million in 2015. Our gross profit margin from the lightweight building materials segment increased to 30.2% in 2016 from 26.9% in 2015, mainly due to the decline in the prices of main raw materials, which was partially offset by the decrease in the selling price of gypsum boards.

Operating profit

Operating profit from the lightweight building materials segment increased by 14.1% to RMB1,742.4 million in 2016 from RMB1,527.4 million in 2015. Operating profit margin from this segment increased to 22.7% in 2016 from 21.5% in 2015, mainly due to the increase in gross profit margin, which was partially offset by the decrease in VAT refunds.

Glass fibre and composite materials segment

As China Jushi is an associate but not a subsidiary of the Group, its operating results will not be accounted into our consolidated statements regarding operating results, nor will it be accounted into our segment results of the glass fibre and composite materials segment. Unless otherwise indicated, any reference regarding the operating results of the segment excludes that of China Jushi.

Revenue

Our revenue from the glass fibre and composite materials segment decreased by 22.9% to RMB2,513.2 million in 2016 from RMB3,260.5 million in 2015, mainly attributable to the decrease in sales volume of rotor blades, which was partially offset by the increase in the selling price of rotor blades.

Cost of sales

Our cost of sales from the glass fibre and composite materials segment decreased by 21.4% to RMB1,906.2 million in 2016 from RMB2,424.8 million in 2015, mainly attributable to the decrease in sales volume of rotor blades.

Gross profit and gross profit margin

Our gross profit from the glass fibre and composite materials segment decreased by 27.4% to RMB607.0 million in 2016 from RMB835.7 million in 2015. Our gross profit margin from the glass fibre and composite materials segment decreased to 24.2% in 2016 from 25.6% in 2015, mainly attributable to the decrease in gross profit margin of rotor blades business.

Operating profit

Operating profit for our glass fibre and composite materials segment decreased by 17.8% to RMB346.0 million in 2016 from RMB421.1 million in 2015. The operating profit margin for the segment increased to 13.8% in 2016 from 12.9% in 2015, primarily due to the decrease in provision for bad debt and the research and development expenses, which was partially offset by the decrease in the gross profit margin.

Engineering services segment

Revenue

Our revenue from the engineering services segment increased by 0.4% to RMB8,097.0 million in 2016 from RMB8,068.4 million in 2015, mainly because of an increase in the completed construction services in the period.

Cost of sales

Our cost of sales from the engineering services segment decreased by 3.2% to RMB5,985.1 million in 2016 from RMB6,182.6 million in 2015.

Gross profit and gross profit margin

Our gross profit from the engineering services segment increased by 12.0% to RMB2,111.8 million in 2016 from RMB1,885.7 million in 2015, mainly because of an increase in the completed construction services in the period. Our gross profit margin from the engineering services segment increased to 26.1% in 2016 from 23.4% in 2015, primarily due to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit for our engineering services segment decreased by 17.7% to RMB884.6 million in 2016 from RMB1,075.0 million in 2015, while the operating profit margin for the engineering service segment of the Group decreased to 10.9% in 2016 from 13.3% in 2015, mainly because of an increase in exchange loss, but was partially offset by the increase in gross profit margin.

Liquidity and financial resources

As at 31 December 2016, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB147,256.4 million in total.

The table below sets out our borrowings in the periods shown below:

	As at 31 December	
	2016	2015
	(RMB in millions)	
Bank loans	**183,615.5**	173,833.8
Borrowing from other financial institutions	**1,679.3**	1,093.0
Total	**185,294.8**	174,926.8

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

	As at 31 December 2016	2015
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**139,802.4**	144,395.6
Between one and two years	**13,751.9**	15,987.0
Between two and three years	**24,814.5**	11,652.4
Between three and five years (inclusive of both years)	**4,383.8**	1,732.2
Over five years	**2,542.2**	1,159.6
Total	**185,294.8**	174,926.8

As at 31 December 2016, bank loans in the amount of RMB3,544.2 million were secured by assets of the Group with a total carrying value of RMB21,384.8 million.

As at 31 December 2016 and 31 December 2015, we had a debt-to-asset ratio of 54.4% and 53.0%, respectively. The Group adopted prudent credit policies so as to reduce credit risks to the utmost extent.

Exchange Risks

Almost all of the Group's businesses were operated in RMB. The Group is not exposed to any significant exchange risks.

Contingent Liabilities

Certain contingent liabilities were not 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 2016	2015
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**1.0**	9.9

Capital Expenditures

The following table sets out the capital expenditures of the Group for the year ended 31 December 2016 by segment:

	For the year ended 31 December 2016 *(RMB in millions)*	*% of total*
Cement	**9,137.6**	**77.2**
Including: China United	**2,881.1**	**24.3**
South Cement	**2,481.6**	**21.0**
North Cement	**325.8**	**2.8**
Southwest Cement	**3,422.9**	**28.9**
Commercial concrete	**583.7**	**4.9**
Including: China United	**262.1**	**2.2**
South Cement	**208.6**	**1.8**
North Cement	**101.1**	**0.9**
Southwest Cement	**0.7**	**0.01**
Lightweight building materials	**724.2**	**6.1**
Glass fibre and composite materials	**205.4**	**1.7**
Engineering services	**684.5**	**5.8**
Others	**502.4**	**4.2**
Total	**11,837.7**	**100.0**

Cash Flow from Operating Activities

For the year 2016, our net cash inflow generated from operating activities was RMB15,389.2 million. Such net cash inflow was primarily due to RMB21,622.9 million of cash flow from operating activities before the change in working capital, and an increase of RMB1,287.1 million in the trade payables and other payables, which was partially offset by a RMB6,088.7 million increase in trade receivables and other receivables.

Cash Flow from Investing Activities

For the year 2016, our net cash outflow from investing activities was RMB12,360.9 million, which was primarily due to the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB10,845.3 million in total and a RMB3,522.3 million of deposits paid.

Cash Flow from Financing Activities

For the year 2016, we had a net cash outflow from financing activities amounting to RMB3,436.0 million, primarily attributable to a total of RMB192,636.2 million in repayment of borrowings and an amount of RMB9,849.4 million in interest paid, which was partially offset by RMB203,725.1 million for new borrowings.

OUTLOOK FOR 2017

The year of 2017 is an important year for the implementation of the "Thirteenth Five-year Plan" and for further promoting the supply-side structural reform. Despite of the presence of structural and periodic contradictions in domestic economic operation and the downward pressure, the general work keynote for the year will still be making progress while ensuring stability, and China's economic fundamentals remain favorable for long-term growth. It was pointed out at the Central Economic Working Conference that further efforts should be exerted to solidly boost the people-oriented new-type urbanization, in-depth implementation of overall regional development strategies including western development, northeast revitalization, central rise and east leading, and implementation of three strategies, i.e. coordinated development of Beijing-Tianjin-Hebei, development of the Yangtze River Economic Zone and the construction of "One Belt, One Road". With the accelerated implementation of regional coordinated and synergetic development and a new round of opening-up strategies, the major projects under the "Fifteenth Five-year" Plan, urban infrastructures, underground pipe galleries, affordable housing projects, etc. will be propelled intensively, and the building materials manufacturing industry and building materials service industry will be provided with broad market space. As driven by the document No. [34] issued by the General Office of the State Council as well as favorable policies including further promotion of "cutting overcapacity, destocking, de-leveraging, lowering costs and improving weak links (三去一降一補)", revitalization of real economy, promotion of stable development of real estate market, etc., the relationship between supply and demand in the industry and the market environment are expected to be further improved.

The Group will spare no efforts to stabilize growth, accelerate transformation and upgrade, and deeply advance reform and innovation by adhering to the four operation and management principles of "integration and optimization, quality and efficiency enhancement", "preparation, meticulosity, refinement and solidity, action first", "price stabilization, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment", and "profit and efficiency as the first priority", with an aim to resolutely achieve the production and operation goals and missions in 2017.

First of all, the Company will endeavor to make more profit through devoting more efforts in market and management. It will adhere to the "PCP" operating philosophy and uphold the "three no-fears and four efforts" spirit to proactively promote the supply-side reform and to resolutely propel industry self-regulation and market co-opetition, in order to stabilize the price, raise the price and safeguard the market share; while thoroughly promoting "Four Reduction 2.0", the Company will formulate and implement cost and expenses saving plan, and strictly control the size of "Two Funds" to complete the goal of "downsizing", to further reduce cost and to improve efficiency.

Secondly, the Company will carry through the "three curves" development concepts to speed up transformation and upgrade. It will accelerate the transformation and upgrade in traditional fields, boost the production of "Four Modernizations" of cement, and develop aggregate business; it will quicken the development of "Three New" industries and international business, actively explore and implement "Internet + Dual Innovations + Made in China 2025"; continued efforts will be made to strengthen technological innovation and improve sustainable competitiveness.

Thirdly, the Company will thoroughly push forward enterprise reform and innovation. It will accelerate innovation in mechanism and management, and proactively explore market-oriented distribution and incentive mechanism, as well as enterprise management and control model under the new normality.

CORPORATE GOVERNANCE REPORT

The Company adheres to the domestic and overseas regulations to maintain a high level of corporate governance in compliance with commercial conducts and practices as the core values of the Group. Through further enhancing the mechanism of communications and discussions among the management, the Board and the shareholders, the Company has established a stable corporate structure, a well-functioned internal control system and a proper risk evaluation procedure, so as to ensure clear authorization and effective execution, thereby vigorously safeguarding the healthy operation of the Company and transparency to the stakeholders and increasing the long-term value for the shareholders.

During the year from 1 January 2016 to 31 December 2016, the Company complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules except for Code Provision A.4.2. All the Directors of the third session of the Board last elected on 15 November 2011 were subject to retirement by rotation by 15 November 2014, according to Code Provision A.4.2 which states that every director should be subject to retirement by rotation at least once every three years. Certain former Directors of the third session of the Board retired in October 2014 and were replaced by new Directors. As this process involved the entire Board such that many factors had to be considered in ensuring the smooth continuation of the senior management of the Company, the Company had not completed the above process with regard to the rest of the third session of the Board in a timely manner. The Company has now completed the process of the re-election of the Board. The relevant resolutions for the re-election of the Board of the Company were considered and approved at the sixteenth meeting of the third session of the Board held on 25 March 2016. The resolutions for the re-election of the Board of the Company were considered and approved at the 2015 annual general meeting held on 27 May 2016. The term of the fourth session of the Board of the Company shall be three years, commencing from 27 May 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2016 ("securities" shall have the meaning as defined in the Listing Rules).

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Company confirms that each of the Directors has complied with the standards of the securities transactions by Directors as required by the Model Code and the Code for Securities Transactions of China National Building Material Company Limited.

AUDIT COMMITTEE

The first meeting of the fourth session of the Board convened on 27 May 2016 considered and approved the proposal in relation to re-election of members of the Audit Committee of the Company. Currently, the Audit Committee of the Company comprises three Directors, of whom Mr. Qian Fengsheng is the chairman and both Mr. Liu Jianwen and Ms. Xia Xue are members. All the three members are independent non-executive Directors. Among them, Mr. Qian Fengsheng possesses professional qualifications and experience in accounting and related financial management. Such composition is in compliance with the requirements under the Listing Rules. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Audit Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

DIVIDENDS

The Board recommends the distribution of a final dividend of RMB232,158,129.27 in total (pre-tax) for the period from 1 January 2016 to 31 December 2016 (2015: RMB199,763,971.69 in total (pre-tax)) for Shareholders whose names appear on the Company's register of members on Wednesday, 7 June 2017, representing RMB0.043 per share (pre-tax) (2015: RMB0.037 per share (pre-tax)) based on 5,399,026,262 shares in issue as at 24 March 2017, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information for inclusion in this report. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 7 June 2017.

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. 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, 26 May 2017.

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 2016 to 31 December 2016 (the "2016 Final Dividend") to 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, 7 June 2017.

Pursuant to the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong stock exchanges connectivity mechanism" (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Sui [2014] No. 81) (the "Shanghai-Hong Kong Stock Connect Tax Policy") 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 of Hong Kong Limited (the "Hong Kong Stock Exchange") through Shanghai-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 Hong Kong 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 2016 Final Dividend to the domestic corporate investors as the holders of H Shares of the Company whose names appear on the register of shareholders of the Company on Wednesday, 7 June 2017 provided by China Securities Depository and Clearing Corporation Limited ("China Clearing"), the Company shall not withhold tax on dividend for the domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》), the Shanghai-Hong Kong Stock Connect Tax Policy 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, for dividends received by domestic individual investors from the investment in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H share companies listed on the Hong Kong 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 Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the income tax payable shall follow the same requirements in respect of domestic individual investors.

As such, when distributing the 2016 Final Dividend to the domestic individual investors (including domestic securities investment funds) as the holders of H Shares of the Company whose names appear on the register of shareholders of the Company on Wednesday, 7 June 2017 provided by China Clearing, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H share register of members of the Company on Wednesday, 7 June 2017 (the "Registered Address"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

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

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the "Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties" (Guo Shui Fa [2015] No. 60) (《非居民納稅人享受稅收協定待遇管理辦法》國稅發[2015]60號) (the "Measures on Tax Treaties") on or before Friday, 9 June 2017. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

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

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

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Friday, 9 June 2017. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Measures on Tax Treaties if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are eligible to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 26 April 2017 to Friday, 26 May 2017 (both days inclusive), during which period no transfer of shares in the Company will be effected. To be eligible to attend and vote at the forthcoming annual general meeting, holders of H Shares of the Company whose transfers have not been registered shall lodge all the share transfer documents and relevant certificates with the Company's H Share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 25 April 2017 for share registration.

Shareholders whose names appear on the register of members on Wednesday, 7 June 2017 will be eligible for the final dividend. The register of members of the Company will be closed from Friday, 2 June 2017 to Wednesday, 7 June 2017 (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, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 1 June 2017 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Wednesday, 28 June 2017 to the shareholders whose names appear on the register of members of the Company on Wednesday, 7 June 2017.

MATERIAL TRANSACTIONS

Acquisition of equity interest in Taishan Gypsum through share issuance of BNBM

References are made to the announcement of the Company dated 13 October 2015 and the 2015 annual report of the Company in relation to the acquisition of equity interest in Taishan Gypsum through share issuance of BNBM.

Upon the completion of the transaction, equity interest held by the Company in BNBM would be diluted from approximately 45.20% to approximately 35.73% Therefore, the transaction contemplated under the framework agreement constituted a deemed disposal of BNBM shares by the Company under Rule 14.29 of the Listing Rules. The deemed disposal constituted a discloseable transaction of the Company.

On 14 October 2016, the CSRC issued the Reply on Approval of the Acquisition of Assets by Beijing New Building Material Public Limited Company through Issuance of Shares to Tai'an Guotai Min'an Investment Group Co., Ltd. and Other Parties (《關於核准北新集團建材股份有限公司向泰安市國泰民安投資集團有限公司等發行股份購買資產的批覆》), approving the plan for acquisition of 35% equity interest in Taishan Gypsum through issuance of shares by BNBM. Upon implementation of the plan, BNBM issued additional 374,598,125 new shares in total, with its registered capital increasing from RMB1,413,981,592 to RMB1,788,579,717, and directly and indirectly held 100% equity interest in Taishan Gypsum. As at the date of this report, the transaction had been completed.

Finance lease agreements

On 25 April 2016, each of 14 subsidiaries of the Company (the "Lessees") entered into a finance lease agreement with the Company and Industrial Bank Financial Leasing Co., Ltd.(興業金融租賃有限責任公司) ("IBFL"). Pursuant to the finance lease agreements, (i) the Lessees will sell and IBFL will purchase the leased assets at an aggregate consideration of RMB3 billion; and (ii) the leased assets will be leasedback to each relevant Lessee and the Company jointly for the lease period. The aggregate lease consideration under the finance lease agreements payable by the Lessees and the Company comprises (i) the aggregate lease interest, being RMB136,297,083; and (ii) the aggregate lease principal, being RMB3 billion. Upon the expiry of the lease period and subject to payment in full of all amounts payable to IBFL under the finance lease agreements, the Lessees and the Company will be entitled to acquire title to the leased assets from IBFL at no extra cost. Details of the finance lease agreements are set out in the announcement of the Company dated 25 April 2016 and the 2016 interim report of the Company.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 120,989 employees.

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

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

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

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

In accordance with the requirements under the Listing Rules which are applicable to the reporting period, the 2016 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2016 will be posted on the website of the Stock Exchange (website: http://www.hkex.com.hk) on or before 30 April 2017. This information will also be published on the website of the Company (website: http://cnbm.wsfg.hk).

DEFINITIONS

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

"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"Board"	the board of directors of the Company
"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.)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Director(s)"	the directors 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
"Four Execution & Four Control"	reform execution, innovation execution, marketing execution and management execution & expenditure control, gearing control, cost control and risk control
"Four Increase & Four Reduction"	sales volume increase, variety increase, price increase and profit increase & hierarchy reduction, organization reduction, excess staff reduction and vehicle reduction
"GDP"	gross domestic product
"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 share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"IFRS"	International Financial Reporting Standards
"increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"MIIT"	Ministry of Industry and Information Technology of the People's Republic of China
"NBS"	中國國家統計局 (National Bureau of Statistics of China)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建築材料集團有限公司 (China National Building Material Group Corporation)
"PCP"	PCP, being Price–Cost–Profit
"PRC"	the People's Republic of China
"preparation, meticulosity, refinement, solidity"	planning operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the market and own features; enhancing management, meticulous organisation and delicate management to improve quality and profitability; working solidly to enhance the basis for development and strengthen foundation
"Reporting Period"	the period from 1 January 2016 to 31 December 2016
"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 both the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Six-star Benchmark Enterprise"	enterprise with desirable operating result, delicacy management, leading environmental protection, well-known brand, advanced simplicity, safety and stability
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"three no-fears and four efforts"	No fear of toil, no fear of grievance and no fear of setbacks; efforts through innumerable means, endless words (to persuade), thousands miles (to walk) and overcoming innumerable hardships
"Three New"	new building materials, new houses and new energy materials

By order of the Board
China National Building Material Company Limited*
Song Zhiping
Chairman of the Board

Beijing, the PRC
24 March 2017

As at the date of this announcement, the board of directors of the Company comprises Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai and Mr. Chang Zhangli as executive directors, Mr. Guo Chaomin, Mr. Chen Yongxin and Mr. Tao Zheng as non-executive directors and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue as independent non-executive directors.

* *For identification only*