CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2016

Annual Report 年度報告

* For identification only

Financial and Business Highlights

	As at 31 December 2016	2015 (RMB in millions)	Growth rate
Bank balances and cash	**10,251**	10,584	-3.2%
Total assets	**340,754**	329,819	3.3%
Equity attributable to equity holders of the Company	**41,850**	41,916	-0.2%
Earnings per share-basic *(RMB)*	**0.20**	0.19	3.8%

	For the year ended 31 December 2016	2015 (RMB in millions)	Growth rate
Revenue	**101,547**	100,362	1.2%
Profit after taxation	**2,822**	2,793	1.0%
Profit attributable to equity holders of the Company	**1,058**	1,019	3.8%
Net cash flows from operating activities	**15,389**	8,302	85.4%
Sales volume of cement and clinker *(in thousand tonnes)*	**291,224**	279,556	4.2%
– China United	**67,005**	63,109	6.2%
– South Cement	**112,476**	114,301	-1.6%
– North Cement	**22,371**	18,689	19.7%
– Southwest Cement	**87,303**	81,821	6.7%
Commercial concrete sales volume *(in thousand m³)*	**74,444**	71,199	4.6%
– China United	**33,005**	29,010	13.8%
– South Cement	**36,468**	37,503	-2.8%
– North Cement	**2,443**	2,422	0.9%
– Southwest Cement	**1,247**	1,044	19.4%
Gypsum board *(in million m²)*	**1,635**	1,446	13.1%
Revenue from engineering service *(RMB in millions)*	**8,097**	8,068	0.4%
Rotor blade *(in blade)*	**4,126**	6,540	-36.9%
Glass fibre yarn *(in thousand tonnes)*	**1,117**	1,062	5.2%
Selling price			
Cement sold by China United *(RMB per tonne)*	**211.0**	195.5	7.9%
Clinker sold by China United *(RMB per tonne)*	**175.5**	165.9	5.8%
Commercial concrete sold by China United *(RMB per m³)*	**272.1**	287.6	-5.4%
Cement sold by South Cement *(RMB per tonne)*	**200.8**	212.1	-5.3%
Clinker sold by South Cement *(RMB per tonne)*	**170.1**	159.4	6.7%
Commercial concrete sold by South Cement *(RMB per m³)*	**293.6**	312.2	-6.0%
Cement sold by North Cement *(RMB per tonne)*	**257.7**	289.1	-10.9%
Clinker sold by North Cement *(RMB per tonne)*	**198.9**	206.6	-3.7%
Commercial concrete sold by North Cement *(RMB per m³)*	**294.5**	314.6	-6.4%
Cement sold by Southwest Cement *(RMB per tonne)*	**213.8**	230.7	-7.3%
Clinker sold by Southwest Cement *(RMB per tonne)*	**204.5**	196.2	4.2%
Commercial concrete sold by Southwest Cement *(RMB per m³)*	**259.0**	253.9	2.0%
Gypsum board			
– BNBM *(RMB per m²)*	**5.92**	6.18	-4.2%
– Taishan Gypsum *(RMB per m²)*	**3.88**	4.12	-5.8%
Rotor blade *(RMB per blade)*	**453,500**	383,900	18.1%

Contents

This Annual Report, in both Chinese and English versions, is available on the Company's website at http://cnbm.wsfg.hk (the "Company Website"). Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the Corporate Communications in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt of the Corporate Communications (either in printed form or via the Company Website).

Shareholders may send their requests at any time to receive the Annual Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the H share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the H share registrar of the Company at cnbm3323-ecom@hk.tricorglobal.com.

Corporate Profile

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million H shares, 300 million H shares and 240 million H shares were placed on 9 August 2007, 5 February 2009 and 14 September 2010, respectively. The Company issued bonus shares on 13 June 2011 on the basis of ten bonus shares to be issued for every ten shares held by the Shareholders. As at 31 December 2016, the Company has a total issued share capital of 5,399,026,262 Shares.

The Group is mainly engaged in cement, light weight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity in 2016), the Group is:

- the largest cement producer in the world;
- the largest commercial concrete producer in the world;
- the largest gypsum board producer in the world;
- the largest rotor blade producer in the PRC;
- a leading glass fibre producer in the world through China Jushi, an associate of the Company;
- an international engineering firm that provides design and EPC services of glass, cement production lines and solar power stations in China, leads and dominates the engineering technology market of domestic high-end glass and export of China's high-end glass.

Corporate Information

DIRECTORS:

Executive Directors

Song Zhiping *(Chairman of the Board)*
Cao Jianglin *(President)*
Peng Shou *(Vice President)*
Cui Xingtai *(Vice President)*
Chang Zhangli *(Vice President)*

Non-executive Directors

Guo Chaomin
Chen Yongxin
Tao Zheng

Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Qian Fengsheng
Xia Xue

STRATEGIC STEERING COMMITTEE:

Song Zhiping *(Chairman)*
Cao Jianglin
Zhou Fangsheng

NOMINATION COMMITTEE:

Sun Yanjun *(Chairman)*
Liu Jianwen
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE:

Zhou Fangsheng *(Chairman)*
Sun Yanjun
Song Zhiping

AUDIT COMMITTEE:

Qian Fengsheng *(Chairman)*
Liu Jianwen
Xia Xue

SUPERVISORS:

Wu Jiwei *(Chairman of the Supervisory Committee)*
Zhou Guoping
Wu Weiku *(Independent Supervisor)*
Li Xuan *(Independent Supervisor)*
Cui Shuhong *(Staff Representative Supervisor)*
Zeng Xuan *(Staff Representative Supervisor)*

Secretary of the Board	:	Chang Zhangli
Joint Company Secretaries	:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives	:	Song Zhiping Chang Zhangli
Alternate Authorized Representative	:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Qualified Accountant	:	Pei Hongyan (FCCA)
Registered Address	:	Tower 2 (Building B), Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Principal Place of Business	:	21st Floor Tower 2, Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Postal Code	:	100036

Corporate Information *(Continued)*

Place of Representative Office in Hong Kong	:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	:	Agricultural Bank of China Limited Bank of Communications Co., Ltd. China Construction Bank Corporation
PRC Legal Adviser	:	Jingtian and Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District, Beijing The PRC
Hong Kong Legal Adviser	:	Slaughter and May 47th Floor, Jardine House 1 Connaught Place Central Hong Kong
International Auditor	:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong
Domestic Auditor	:	Baker Tilly China Certified Public Accountants Building 12, Foreign Cultural and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong	:	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Stock Code	:	3323
Company Websites	:	http://cnbm.wsfg.hk www.cnbmltd.com

Definitions

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

"Baker Tilly China"	天職國際會計師事務所(特殊普通合夥)(Baker Tilly China Certified Public Accountants)
"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"Baishan Cement"	金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
"BNBM Green Residence"	北新綠色住宅有限公司 (Beijing New Building Material Green Residence Company Limited)
"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)
"BNBM Taicang"	太倉北新建材有限公司 (BNBM Taicang Company Limited)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Company Limited*)
"China Jushi"	中國巨石股份有限公司 (China Jushi Co., Ltd.)

Definitions *(Continued)*

"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)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd.)
"CNBM Trading"	中建材集團進出口公司 (China National Building Materials & Equipment Import & Export Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Company Law"	the Company Law of the PRC
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"date of this report"	the date of disclosure of this report
"Dequan Wangqing"	吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co., Ltd.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"Environmental Protection Research Institute"	江蘇中建材環保研究院有限公司 (Jiangsu CNBM Environmental Protection Research Institute Company Limited)
"EPC"	turn-key project services that include design, procurement and construction
"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
"Four Modernizations"	high-grade oriented, specialty oriented, ready-mixed concrete oriented and cement products oriented
"GDP"	gross domestic product
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guang An BNBM"	廣安北新建材有限公司 (Guang An BNBM Building Material Company Limited)
"Guangxi South Cement"	廣西南方水泥有限公司 (Guangxi South Cement Company Limited)
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"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$
"Hong Kong Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Hubei BNBM"	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IFRS"	International Financial Reporting Standards
"increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Jetion Solar"	中建材浚鑫科技股份有限公司 (Jetion Solar (China) Co., Ltd.)
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)

Definitions *(Continued)*

"Jingang Group"	遼源金剛水泥（集團）有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"MIIT"	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"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)
"Non-Competition Agreement"	the non-competition agreement dated 28 February 2006 entered into between the Company and the Parent, which is stated on pages 155 to 157 of the prospectus of the Company
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"one gaze, two controls, three reductions, four extensions"	"one gaze" represents gazing tightly at the inventories of finished products and semi-finished products; "two controls" represents the adoption of "two controls" principle of quality and price of raw materials and fuel; "three reductions" represents the reduction in procurement, consumption and backlog quantity in spare parts inventory; "four extensions" represents the extension of the useful life of equipment, the extension of the category of materials for zero inventory, the extension of alternative mixed materials and the extension of the time for settlement with supplier
"Parent"	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*) (previously known as 中國建築材料集團有限公司 (China National Building Materials Group Corporation))
"PCP"	PCP, 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
"Promoters"	the promoters of the Company, namely the Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2016 to 31 December 2016
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanshui Cement"	中國山水水泥集團有限公司 (China Shanshui Cement Group Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Sichuan Jiahua"	四川嘉華企業(集團)股份有限公司 (Sichuan Jiahua Enterprise (Group) Co., Ltd)
"Sinoma Group"	Sinoma Group Corporation and its subsidiaries from time to time
"Sinoma Group Corporation"	中國中材集團有限公司 (China National Materials Group Corporation Ltd.), a state-owned enterprise established under the laws of the PRC
"Six-star Benchmark Enterprise"	enterprise with desirable operating result, delicacy management, leading environmental protection, well-known brand, advanced simplicity, safety and stability

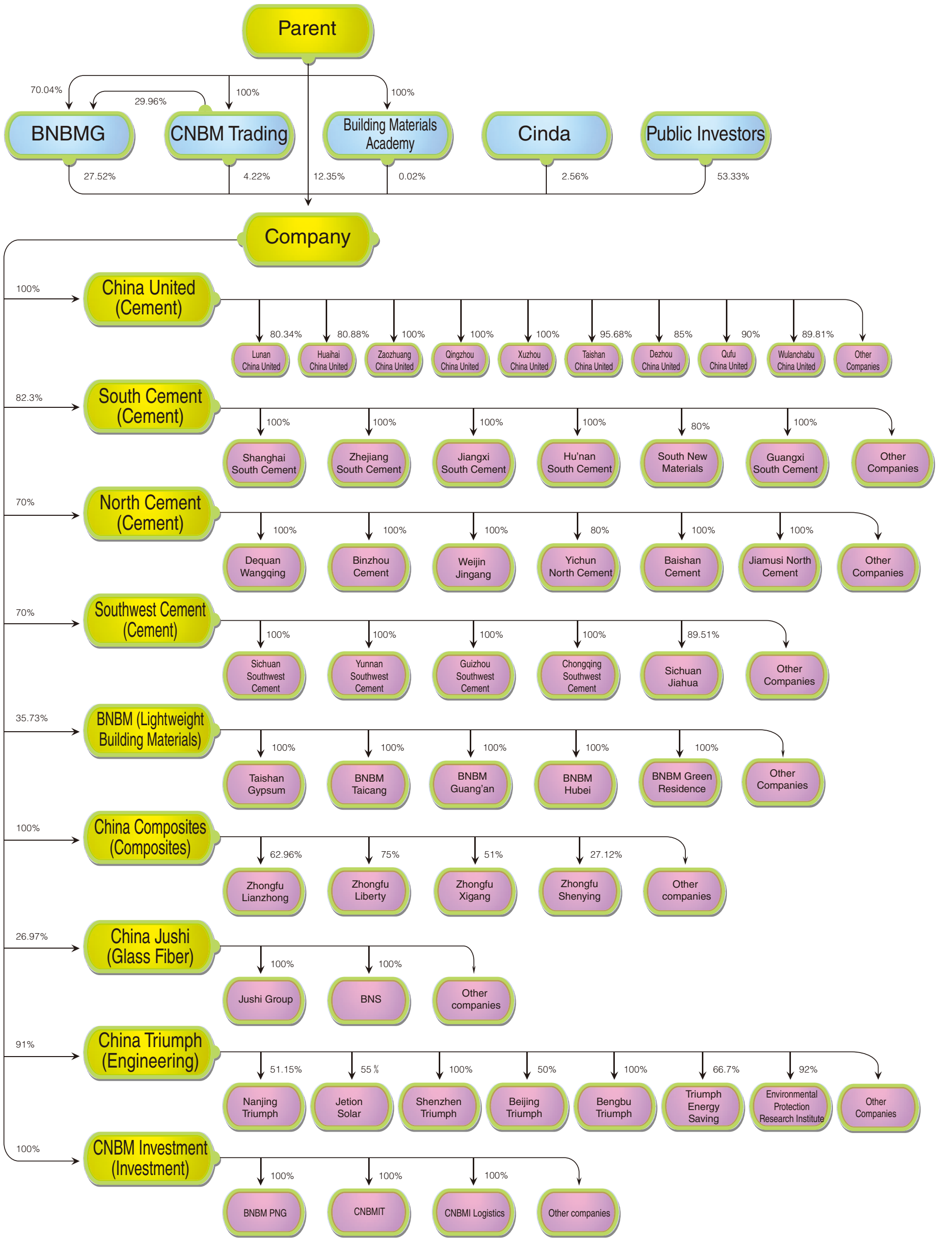
Definitions *(Continued)*

"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southwest"	including but not limited to Sichuan, Yunnan, Guizhou and Chongqing
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Three Curves"	the first curve refers to pursuing intensive and meticulous development in the basic building materials industry to push forward restructuring and in-depth integration of cement and glass businesses, and vigorously advancing the supply-side structural reform to continuously improve quality and economic efficiency; the second curve refers to endeavoring to develop other business such as new building materials, new homes and new energy to seek rapid improvement in profitability; and the third curve refers to actively developing R&D, engineering and technical services and other new business formats so as to foster fresh profit growth points
"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 homes, and new energy materials
"Triumph Energy Saving"	上海凱盛節能工程技術有限公司 (Shanghai Triumph Energy Saving Engineering Technology Company Limited)
"Two Funds"	the amount of account receivables and the inventory amount
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)

"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited)
"Zhongfu Lianzhong"	連雲港中復連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Liberty"	常州中復麗寶第複合材料有限公司 (Changzhou China Composites Liberty Company Limited)
"Zhongfu Shenying"	中復神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Company Limited)
"Zhongfu Xigang"	威海中復西港船艇有限公司 (Weihai Zhongfu Xigang Ship Co., Ltd)

Shareholding Structure of the Group

The simplified structure of the Group as at 31 December 2016 is set out as below:



Note: The aforementioned percentages are rounded to 2 decimal places.

Due to being rounded, the total percentage of shareholdings may be discrepant with the total amount.

In August 2015, the Parent increased its shareholding of H Shares of the Company by 8.536 million shares, accounting for 0.16% of the total share capital.

Shareholding Structure of the Group *(Continued)*

As at the date of this report, the transfer of 2.3% equity interest in South Cement held by Zhongyang Group Limited (眾陽集團有限公司) and Orient Assets Management Corporation (東方資產管理公司) to the Company has been completed. Upon completion of the transaction, the equity interest in South Cement held by the Company has increased from 80% to 82.3%.

As at the date of this report, BNBM has completed the acquisition of equity interest in Taishan Gypsum by issuance of shares and the new shares issued by BNBM totaled 374,598,125 shares. Upon completion of the transaction, the equity interest in BNBM held by the Company has decreased from 45.20% to 35.73%.

On 14 November 2016, the Parent entered into the Agreement on Partial Transfer of State-owned Shares at Nil Consideration (部分國有股份無償劃轉協議) with Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. respectively, pursuant to which, the Parent transferred 80,985,394 Domestic Shares at nil consideration to Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. respectively, representing 1.5% of the total share capital respectively. Such share transfers were completed on 22 February 2017 and 23 February 2017 respectively. As at the date of this report, Domestic Shares of the Company directly held by the Parent represent 9.35% of the total share capital.

Financial Highlights

The summary of financial results of the Group for 2016 and 2015 is as follows:

	For the year ended 31 December	
	2016	2015
	(RMB in thousands)	
Revenue	**101,546,783**	100,362,429
Gross profit	**26,791,610**	24,619,783
Profit after taxation	**2,822,244**	2,792,762
Profit attributable to equity holders of the Company	**1,058,171**	1,019,461
Distribution made to the equity holders of the Company	**199,764**	890,839
Earnings per share basic *(RMB)*(1)	**0.20**	0.19

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2015 and the weighted average number of 5,399,026,262 shares for 2016.

	As at 31 December	
	2016	2015
	(RMB in thousands)	
Total assets	**340,754,174**	329,818,831
Total liabilities	**265,186,637**	256,326,771
Net assets	**75,567,537**	73,492,060
Non-controlling interests	**21,714,019**	21,581,514
Equity attributable to equity holders of the Company	**41,849,832**	41,915,683
Net assets per share weighted average *(RMB)*(1)	**7.75**	7.76
Debt to assets ratio(2)	**54.4%**	53.0%
Net debts/equity ratio(3)	**231.6%**	223.6%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2015 and the weighted average number of 5,399,026,262 shares for 2016.

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

(3) Net debt ratio = (total borrowings-bank balances and cash)/net assets* 100%.

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

Business Highlights *(Continued)*

CEMENT SEGMENT *(CONTINUED)*

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

Mr. Song Zhiping
Chairman of the Board
Executive Director

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

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

CEMENT SEGMENT *(CONTINUED)*

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 overbad 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.

CEMENT SEGMENT *(CONTINUED)*

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.

CEMENT SEGMENT *(CONTINUED)*

Southwest Cement

Southwest Cement deepened the business ideology of "PCP" and insisted on organic combination of multi-dimensional and meticulous co-opetition. 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.

FINANCIAL REVIEW *(CONTINUED)*

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.

FINANCIAL REVIEW *(CONTINUED)*

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.

FINANCIAL REVIEW *(CONTINUED)*

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 prices of cement 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.

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

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 prices of cement products and commercial concrete, which was partially offset by the decrease in costs of electric power and raw materials.

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 costs 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.

FINANCIAL REVIEW *(CONTINUED)*

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.

FINANCIAL REVIEW *(CONTINUED)*

Glass fibre and composite materials segment *(Continued)*

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.

FINANCIAL REVIEW *(CONTINUED)*

Engineering services segment *(Continued)*

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.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and financial resources *(Continued)*

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.

Future Plans for Material Investments or Capital Assets

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

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

FINANCIAL REVIEW *(CONTINUED)*

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.

I. 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.

II. THE BOARD

During 2016, the Board of the Company held 6 plenary Board meetings (of which, 3 meetings were held by the third session of the Board, and 3 meetings were held by the fourth session of the Board) to consider and determine various matters including general corporate strategy, major investment and financing activities and personnel appointments and removals. All Directors attended the meetings in person or by proxy. The management is responsible for the specific implementation of resolutions of the Board and management of daily operations.

II. THE BOARD *(CONTINUED)*

The members of the Board and the attendance of the Directors at Board meetings during 2016 are as follows:

	Meetings attended/held					
Name	**The Board**	**The Strategic Steering Committee**	**The Nomination Committee**	**The Remuneration and Performance Appraisal Committee**	**The Audit Committee**	**General meeting**
Incumbent Directors						
Executive Directors						
Song Zhiping *(Chairman of the Board)*	6/6	1/1	3/3	2/2	–	1/1
Cao Jianglin	6/6	1/1	–	–	–	1/1
Peng Shou	6/6	–	–	–	–	1/1
Cui Xingtai	6/6	–	–	–	–	1/1
Chang Zhangli	6/6	–	–	–	–	1/1
Non-executive Directors						
Guo Chaomin	6/6	–	–	–	–	1/1
Chen Yongxin	3/3	–	–	–	–	–
Tao Zheng	6/6	–	–	–	–	1/1
Independent Non-executiveDirectors						
Sun Yanjun	6/6	1/1	–	1/1	1/1	1/1
Liu Jianwen	3/3	–	–	–	1/1	–
Zhou Fangsheng	3/3	–	–	1/1	–	–
Qian Fengsheng	3/3	–	–	–	1/1	–
Xia Xue	3/3	–	–	–	1/1	–
Outgoing Directors						
Non-executive Directors						
Huang Anzhong	3/3	–	–	–	–	1/1
Independent Non-executive Directors						
Shin Fang	3/3	–	–	1/1	–	1/1
Tang Yunwei	3/3	–	3/3	–	1/1	1/1
Zhao Lihua	3/3	–	3/3	1/1	–	1/1
Wu Liansheng	3/3	–	–	–	1/1	1/1

There is no finance, business, family relationship(s) or any other material connection between the Directors including between the chairman and the chief executive.

III. FUNCTIONS AND OPERATION OF THE BOARD

The Board of the Company is elected by shareholders at general meeting and reports to general meeting. The Board is the highest decision-making authority during the adjournment of the general meeting. The Board pays close attention to significant events of the Company, controls the development direction of the Company as a whole, and improves the governance of the Company through making well-informed and sound decisions, and ensures the decisions are in line with the best interests of the Company and the shareholders.

The Board makes decisions on certain significant matters in the operation of the Company, including convening general meetings and implementing their resolutions; formulating the business plans and investment proposals of the Company; formulating the annual preliminary and final financial budgets of the Company; formulating the profit distribution plan of the Company (including final dividends distribution plan) and the proposal for making up for losses; formulating the debt and financial policies and proposals for increases or reductions of the Company's registered capital and the issue of corporate debentures; preparing material acquisition or disposal proposals of the Company and plans for the merger, division or dissolution of the Company; determining the Company's internal management structure; determining the appointment or removal of the general manager of the Company and the appointment or removal of the vice general manager and the chief financial officer subject to the nomination of the general manager and determining their remuneration; formulating the basic management systems including the financial management and personnel management systems; and formulating the revision plan for the Articles of Association of the Company.

The Directors were elected and the board meetings were held in compliance with the procedures provided for in the Company's Articles of Association, and Rules of Procedure for Board meeting. The Company provided a platform for the Directors to fully understand the Group, and so as for them to control the risk of operation, provide deep, sound and positive instruction advice, and promote the positive, active and healthy development of the Company. The Board keeps close contact with the management and authorizes it to implement specific matters and report to the Board, to ensure that all matters and problems related to the business and operation of the Group are dealt timely. The management under the leading of the president, is responsible for specific matters related to daily operation of the Company, and makes and implements the decision of operation, and conduct periodic reviews and feedbacks, to ensure the relevant arrangements of operation and management meet the demand of the Company.

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

The Company has established a system of independent Directors. There are five independent non-executive Directors in the Board, which is in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The Company has received a confirmation of independence from each of the five independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers the five independent non-executive Directors to be independent from the Company, its substantial shareholders and the respective connected persons of the above entities, have no financial or other interests in the above entities that may affect his/her independence and in full compliance with the requirements concerning independent non-executive directors under the Listing Rules. Mr. Qian Fengsheng, an independent non-executive Director of the Company, has appropriate accounting and financial management expertise as required under Rule 3.10 of the Listing Rules. Please refer to the section headed “Biographical Details of Directors, Supervisors and Senior Management” of this report for Mr. Qian Fengsheng’s biography. The five independent non-executive Directors do not hold other positions in the Company. They assess and supervise the progress of achieving goals of the Company in matters in relation to strategies, policies, performances, investments, and material appointments, and provide independent professional advice, according to the Articles of Association of the Company and the requirements of the relevant laws and regulations. They therefore contribute to the further balanced structure and high-quality decisions of the Board.

IV. DIRECTOR’S CONTINUOUS TRAINING AND DEVELOPMENT

In compliance with the Listing Rules and the Code and to ensure that the Directors have comprehensive and necessary expertise and skills to make contribution to the Board, the Company has arranged suitable training for the continuous professional development of the Directors such as providing them with information materials and special reports. The Company contacted numerous research institutions including Morgan Stanley, CICC, UBS and Geography Cement, in the beginning of 2016, to particularly prepare the reporting materials for Directors in relation to Review for 2015 and Outlook for 2016 in Chinese Macro-economy and the Cement Industry, the contents of which cover information of global economy, policy situation, market analysis of the cement industry, and trends of capital markets, detailed and purposeful, making Directors comprehensively update their information and expand their fields of knowledge. In addition, the Company provided Capital Market Research prepared by the Company twice per month to the Directors, 24 issues including 93 reports in total were provided during 2016, to provide them feedbacks on the latest macro-economy and capital markets, and ensure that they were informed of overall information about the operational environment of the Company. The continuous and effective trainings helped enhance the Directors’ understanding of their duties so that they can make appropriate and informed decisions on the Company’s management based on more accurate understanding of the relevant laws and regulations and the industry’s development. All Directors (including incumbent directors, Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Guo Chaomin, Mr. Chen Yongxin, Mr.Tao Zheng, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng, Ms. Xia Xue, and leaving directors, Mr. Huang Anzhong, Mr. Shin Fang, Mr. Tang Yunwei, Mr. Zhao Lihua, Mr. Wu Liansheng) of the Company have attended relevant trainings during their term of office, and have been provided with the above-mentioned training materials through which their knowledge and skills were further developed and refreshed leading to more constructive and professional opinions from the Directors and therefore ensuring that their contribution to the Board remains informed and relevant.

V. CHAIRMAN AND THE PRESIDENT

Mr. Song Zhiping is the chairman of the Board and Mr. Cao Jianglin is the president of the Company. Pursuant to the Company's Articles of Association, the primary duties and responsibilities of the chairman are chairing and convening the general meetings, presiding over Board meetings and organizing discussion on major business matters such as corporate development strategy and business philosophy, checking the implementation of Board resolutions, signing the securities issued by the Company, and other duties and powers authorized by the Company's Articles of Association and the Board. The major responsibilities of the president are taking charge of production, operation and management matters, organizing the implementation of Board resolutions, organizing the implementation of annual operating plans and investment proposals of the Company, formulating plans for the establishment of the Company's internal management structure, formulating plans for the establishment of the Company's branches, devising the basic management system of the Company, reviewing the basic rules and regulations of the Company, proposing the appointment or removal of the vice president and the Chief Financial Officer of the Company to the Board, appointing or removing management members apart from those that should be appointed or removed by the Board, and performing other duties and powers authorized by the Articles of Association of the Company and the Board.

VI. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Pursuant to the Company's Articles of Association, the Directors including the non-executive Directors shall be elected by the general meeting and serve a term of three years. Upon the expiry of their terms of office, the Directors may be re-elected and re-appointed.

VII. SPECIAL COMMITTEES UNDER THE BOARD

The Company has established 4 special committees under the Board, namely the Strategic Steering Committee, the Nomination Committee, the Remuneration and Performance Appraisal Committee and the Audit Committee, and has formulated respective terms of reference. The terms of reference for the Nomination Committee, the Remuneration and Performance Appraisal Committee and the Audit Committee were prepared with reference to the contents of the Code from time to time.

THE STRATEGIC STEERING COMMITTEE

Members

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 Strategic Steering Committee of the Company. Currently, the Strategic Steering Committee of the Company comprises three Directors, of whom Mr. Song Zhiping is the chairman and both Mr. Cao Jianglin and Mr. Zhou Fangsheng are members. In particular, Mr. Song Zhiping and Mr. Cao Jianglin are executive Directors and Mr. Zhou Fangsheng is an independent non-executive Director. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Strategic Steering Committee of the Company.

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

THE STRATEGIC STEERING COMMITTEE *(Continued)*

Duties and Summary of the Work

The Strategic Steering Committee of the Company is mainly responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organization development proposals, major investment and financing plans and other material matters that may affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investment plans under the authorization of the Board; and making recommendations to the Board. As for details of meetings convened and attended by the Strategic Steering Committee in 2016, please refer to the table of attendance of the Directors at Board meetings during 2016 at page 41.

Set out below is a summary of work of the Strategic Steering Committee of the Company during 2016:

The fourth meeting of the third session of the Strategic Steering Committee of the Board considered and approved the proposals in relation to the operation of the Company for the year 2015 and work arrangements for the year 2016.

THE NOMINATION COMMITTEE

Members

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 Nomination Committee of the Company. Currently, the Nomination Committee of the Company comprises three Directors, of whom Mr. Sun Yanjun is the chairman and Mr. Liu Jianwen and Mr. Song Zhiping are members. In particular, Mr. Song Zhiping is an executive Director and Mr. Sun Yanjun and Mr. Liu Jianwen are independent non-executive Directors. Such composition is in compliance with the requirements under the Code. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Nomination Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

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

THE NOMINATION COMMITTEE *(Continued)*

Duties and Summary of the Work

The Nomination Committee of the Company is mainly responsible for formulating procedures and standards for electing the Directors of the Company, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; formulating standards for the directors or supervisors designated to the wholly-owned subsidiaries of the Company; formulating standards for the directors or supervisors designated or recommended to the controlled subsidiaries of the Company and conducting preliminary review on the qualifications and conditions of the Directors, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; reviewing the qualifications and conditions of the directors or supervisors designated to the wholly-owned subsidiaries of the Company or the directors or supervisors designated or recommended to the controlled subsidiaries of the Company based on the nominations of the chairman of the Board and assisting the chairman of the Board on submitting relevant matters to the Board. After the Stock Exchange's adoption of the code provision in relation to the board diversity policy which became effective on 1 September 2013, the Company has formulated its board diversity policy after reviewing the new requirements, and the policy was duly adopted by the Nomination Committee on 29 November 2013. The Company is committed to improving the corporate governance of the Company. The Company insists on hiring employees based on their competence. In selecting appropriate members to the Board, the Company considers factors such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age based on objective standards. It also takes into account the Company's business model and specific needs from time to time. Pursuant to that policy, current members of the Board possess different professional background. Each of them has accumulated rich experience in areas such as building materials, business management, securities regulation, capital operation, accounting rules and corporate finance providing diversified perspectives for the strategic decisions of the Board and professional opinions for formulating operation policies of the Company. As for details of meetings convened and attended by the Nomination Committee in 2016, please refer to the table of attendance of the Directors at Board meetings during 2016 at page 41.

Set out below is a summary of work of the Nomination Committee of the Company during 2016:

The seventh meeting of the third session of the Nomination Committee of the Board considered and approved the four proposals in relation to election of Directors of the fourth session of the Board of the Company, appointment of senior management of the Company, designation of directors and supervisors to the subsidiaries and nomination of candidates for directors and supervisors of the subsidiaries, and discussion of the Board structure and the independence of the independent non-executive Directors. The eighth meeting of the third session of the Nomination Committee of the Board considered and approved the proposal in relation to designation of directors and supervisors to CNBM Investment. The ninth meeting of the third session of the Nomination Committee of the Board considered and approved the tentative proposal in relation to supplement of one candidate for the independent non-executive Director.

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

THE REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Members

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 Remuneration and Performance Appraisal Committee of the Company. Currently, the Remuneration and Performance Appraisal Committee of the Company comprises three Directors, of whom Mr. Zhou Fangsheng is the chairman and Mr. Sun Yanjun and Mr. Song Zhiping are members. In particular, Mr. Song Zhiping is an executive Director and Mr. Sun Yanjun and Mr. Zhou Fangsheng are independent non-executive Directors. 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 Remuneration and Performance Appraisal Committee (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive director.

Duties and Summary of the Work

The Remuneration and Performance Appraisal Committee of the Company is responsible for recommending and reviewing the specific remuneration and the performance of the Directors and the senior management based on the remuneration and performance management policies and framework pertaining to the Directors and the senior management which are formulated by the Board. The Remuneration and Performance Appraisal Committee makes recommendations to the Board in respect of the remuneration of the Directors and the senior management members. Remuneration of the Directors will be submitted for the consideration and approval of the Board. After the approval of the Board, the remuneration of the Directors will then be submitted for approval at the general meeting. The remuneration of the senior management members is considered and approved by the Board. The annual remuneration of the senior management members comprises four components including basic salary, performance-based salary, special rewards and share appreciation rights. The basic salary is determined by taking into consideration their positions, responsibility, competence and market rates. The performance-based salary is determined on the basis of assessment of economic responsibility. The special rewards are granted to those who have made prominent contributions to the Company's results or in certain material aspects. The share appreciation rights are granted under the Company's Share Appreciation Rights Proposal. As for details of meetings convened and attended by the Remuneration and Performance Appraisal Committee in 2016, please refer to the table of attendance of the Directors at Board meetings during 2016 at page 41.

Set out below is a summary of work of the Remuneration and Performance Appraisal Committee of the Company during 2016:

The fifth meeting of the third session of the Remuneration and Performance Appraisal Committee of the Board considered and approved four proposals in relation to the remuneration for senior management members of the Company for 2015, the special awards for senior management members for 2015, the remuneration for Mr. Zhang Dongzhuang and the fees for the Directors.

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

THE REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE *(Continued)*

Duties and Summary of the Work *(Continued)*

The first meeting of the fourth session the Remuneration and Performance Appraisal Committee of the Board considered and approved the proposals in relation to determination of the specific awards for senior management members and others.

The fees for the Directors of the fourth session of the Board and the supervisors of the fourth session of Supervisory Committee are subject to the standards as considered and approved at the 2015 annual general meeting of the Company convened on 27 May 2016.

THE AUDIT COMMITTEE

Members

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.

Duties and Summary of the Work

The specific duties of the Audit Committee include making recommendations in relation to the appointment of external auditors by the Board and supervising their work; supervising the Company's financial reporting procedures and reviewing the financial control system of the Company; supervising the Company's internal control matters and reviewing its results; reviewing the operating, financial and accounting policies and practice of the Company; formulating and reviewing the corporate governance policy and practice of the Company and reviewing the Company's compliance with the Code and its disclosures in the Corporate Governance Report; reviewing and supervising the Company and its Director's and senior management's compliance with the requirements of laws and regulations; reviewing and supervising the Directors' and senior management's professional ethics, trainings and continuous professional development. As for details of meetings convened and attended by the Audit Committee in 2016, please refer to the table of attendance of the Directors at Board meetings during 2016 at page 41. The recommendations of the Audit Committee have been presented to the Board for review and action.

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

THE AUDIT COMMITTEE *(Continued)*

Duties and Summary of the Work *(Continued)*

Set out below is a summary of work of the Audit Committee during 2016:

During the Reporting Period, the Audit Committee has operated in accordance with the Code. The Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, among others, the issuance of interim and annual results and the review of the financial control system, the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2015 and the interim financial report for 2016. The committee further urged the Company to integrate and optimize its internal control systems in accordance with the key audit work of the Company to ensure that it is able to control the risk of operation management and business development. It performed the duties of corporate governance pursuant to the Terms of Reference of the Audit Committee. The committee provided suggestions to the Board on the improvement of the Company's policies and practices as well as the continuous development of the senior management. As at the date of the report, the Audit Committee has reviewed the Group's financial statements and results for the year ended 31 December 2016.

In addition, the Board is responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the financial position of the Group. The Board has urged the management to provide important materials concerning the Company's operation. Taking into consideration the macroeconomic situation and the development of the industry, the Board has given an objective and balanced evaluation and made strategic decisions on the interim and annual financial performance, and significant investment and financing plans. It also supervised and directed the management to implement specific plans and broadened the channels for the Company's development, endeavoring to maximize the Shareholder's interests. The reporting responsibilities of external auditors are set out in the Independent Auditor's Report of the annual report.

VIII. NOMINATION OF DIRECTORS

Pursuant to the Articles of Association and the Term of Reference of the Nomination Committee, the election and the change of Directors shall be considered by the shareholders at the general meetings. The Company's requests for new directors shall first be studied by the Nomination Committee. The Committee may conduct extensive searches for qualified candidates for directorship in the Company, companies controlled or invested by the Company, the human resources market and through other channels and will have regard to the diversity policy of the Company in making such search. It will then review the candidates' specific qualification after seeking consent from the candidates. The committee makes recommendations and submits relevant materials to the Board after the review. The Board will then shortlist the candidates for submission to the general meeting for consideration. Shareholders holding in aggregate 5% or more of the Company's shares which carry voting rights may nominate directors to the Board directly and the Nomination Committee will then put forward the proposal to the general meeting for consideration. The election of the new Directors is subject to the approval of the shareholders holding more than half of the total voting shares or the independent representatives of the shareholders present at the general meeting.

At the sixteenth meeting of the third session of the Board convened on 25 March 2016, the Parent nominated Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Guo Chaomin, Mr. Chen Yongxin, Mr. Tao Zheng, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Qian Fengsheng, Ms. Xia Xue and Mr. Zhou Wenwei as candidates for directors of the fourth session of the Board. Among which, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Qian Fengsheng, Ms. Xia Xue and Mr. Zhou Wenwei are independent non-executive Directors. At the sixteenth extraordinary meeting of the third session of the Board convened on 10 May 2016, the Parent supplemented to nominate Mr. Zhou Fangsheng as a candidate for independent non-executive Directors of the fourth session of the Board of the Company.

IX. AUDITORS' REMUNERATION

At the 16th meeting of the third session of the Board of the Company convened on 25 March 2016, the Directors resolved to propose to the general meeting the appointment of Baker Tilly HK and Baker Tilly China as the overseas and domestic auditors of the Company for 2016 respectively. The Board was authorized by the annual general meeting convened on 27 May 2016 to deal with the appointment of overseas and domestic auditors and determine their remunerations. During the year, an aggregate of RMB15.32 million was paid by the Company to the auditors for their professional audit services.

During the Reporting Period, save for the financial audit services, the aforesaid auditors did not provide to the Company other significant non-audit services.

X. COMPANY SECRETARY

Mr. Chang Zhangli is the internal joint company secretary of the Company.

Ms. Lo Yee Har Susan of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. The primary contact person of the Company with Ms. Lo is Mr. Chang Zhangli, the joint company secretary and executive Director of the Company.

XI. SHAREHOLDERS AND GENERAL MEETINGS

The Shareholders, as the owners of the Company, are entitled to the rights prescribed in laws, regulations and the Articles of Association. The Shareholders exercise their rights through general meetings. The general meetings include annual general meeting and extraordinary general meetings. The annual general meeting shall be held once every year and within 6 months of the end of the preceding financial year. The Board will convene the extraordinary general meetings if the shareholder(s) holding in aggregate 10% or more of the Company's issued voting shares request(s) in writing. In the case of an annual general meeting, shareholders holding in aggregate 5% or more of the total number of shares carrying voting rights are entitled to put forward any new proposal in writing to the Company, and the Company will include such proposal in the agenda of such meeting to the extent that it falls within the powers of the general meeting. The Board is accountable to the general meeting which is the highest authority of the Company.

In the notice of the general meetings, the Board of the Company will provide the Shareholders with data and explanation required for them to make informed decisions on the matters to be considered as well as the contact information of the person(s) in charge for shareholders' enquiry of relevant issues. During the general meetings, the Shareholders can raise questions or suggestions for the proposals in doubt and the Directors attending the meeting are responsible for explaining, recording and, if necessary, providing relevant information in details. The Shareholders may inspect copies of the minutes of the general meetings free of charge during the business hours of the Company. In the event that any Shareholder requests for copies of such minutes, the Company will deliver the copies within 7 days upon receiving payment of reasonable charges.

At the Annual General Meeting of 2015 held on 27 May 2016, eight ordinary resolutions and three special resolutions in relation to the granting of a mandate to the Board to issue shares of the Company, in relation to the issue of debt financing instruments and in relation to the issue of corporate bonds were considered and approved.

According to the Articles of Association, the Directors may attend the general meetings of the Company and are entitled to sign on the minutes containing the resolution(s) relating to the issue(s) discussed in the meeting(s) they attended. In 2016, the Company held one general meeting and please refer to the table of attendance of the Directors at Board meetings during 2016 at page 41 for details of attendance of the Directors.

XII. SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company reports to the general meeting. Its members comprise two shareholders' representative supervisors and two staff representative supervisors democratically elected at the staff general meeting by the staff representatives and two independent supervisors. The supervisors have discharged their duties conscientiously in accordance with the provisions of the Company's Articles of Association, attended all the Board meetings, constantly reported to the general meeting via submitting Supervisory Committee Reports and relevant proposals. In line with the spirit of accountability to all Shareholders, the Supervisory Committee has monitored the financial affairs and information disclosures of the Company and the performance of duties and responsibilities by the Directors, the president and other senior management personnel of the Company to ensure that they have performed their duties. The Supervisory Committee has participated actively in major matters of the Company such as production, operation and investment projects and has made constructive recommendations.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

In order to comply with relevant domestic laws and regulations as well as the requirements under the Listing Rules, strengthen the Company's risk management and internal control management and monitor and safeguard the achievement of operating management target, the Company has formulated a series of internal management systems in line with the actual conditions of the Company covering finance regulation, operation regulation, compliance regulation and risk management, and has conveyed to the staff.

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

Construction of risk management and internal control systems mainly depended on, firstly, daily risk management, including business and strategic risk management. Each of the departments consists of management and internal control functions to develop procedures at the forefront, and is responsible for risk identification, confirmation, management and reporting. The Company has established a business process-oriented management system covering the management personnel and each of the departments. In addition, the Company has further improved the efficiency and performance of various operations as a result of its efforts on standardizing relevant procedures and key control areas. During the Reporting Period, for the purpose of further consummating and standardizing the management of personnel appointment and removal, the administrative personnel department together with the legal department carried out amendments to the system of personnel management of the Company; for the benefit of promoting the incorruptibility and decision-making ability of Directors and senior management of the Company, the auditing and monitoring department together with the legal department made amendments to the relevant systems, thus controlling the risks relating to decision-making from the perspective of mechanism construction. Secondly, the Company continued to perform risk monitoring and control. Specialist department (including legal department) provided support to various department in organizational governance structure to ensure that the management of existing risk was carried out based on cost-effectiveness, which would then be controlled within the acceptable standard. Information disclosure requirement needed to be encountered by the Company was comprehensively arranged. In addition, the Company integrated different information disclosure targets and important level of information to develop respective disclosure procedures, constantly introspected and made improvement, reported to the management about the Board's direction and functions of reporting, regularly carried out benchmark management practice and gap analysis to further optimize reporting functions and organizational structures. In addition to the preparation of the comprehensive risk management report, the Company has established a risk management mechanism which involves the identification and assessment of risks, prevention and rectification as well as post evaluation. The third was independent internal review. Audit Committee would regularly listen to the comments from professional auditors and internal auditors, independently carried out assessment on the operating management, business development and financial positions of monitoring and control company, and reviewed the effective introduction and implementation of the strategies from high standard companies to further enhance the standard of the internal control, financial control and risk management.

The Board (through the Audit Committee of the Board of the Company) is responsible for the Company's risk management and internal control systems and the continuous review of the efficiency of the operation of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with the provisions C.2.1 of the Code, the Directors have reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries during the Reporting Period, covering matters such as financial control, operational control, compliance control and risk management. The Board is not aware of any material matters that might affect the shareholders' interests. The Board is of the opinion that the Company had fully complied with the code provisions regarding risk management and internal control in the Code. The internal monitoring system of the Company has been operating effectively.

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

The Board has implemented procedures and internal controls for the handling and dissemination of inside information. During the Reporting Period, material transactions of the Company were reviewed by various internal departments of the Company including the legal department and the Secretariat of the Board. After reviewing, if the legal department and the Secretariat of the Board were in the view that the proposed transactions may involve inside information, they would consult with the legal adviser of the Company. Thereafter the proposed transaction concerned would be reported to Secretary of the Board. If the relevant information constituted inside information, the legal adviser, with the assistance of the legal department of the Company, would draft an announcement which would be reviewed by members of the Board. After that, dissemination of such inside information would be conducted by publishing the relevant information on the Company's website and the website of the Stock Exchange in accordance with the Listing Rules.

XIV. INVESTOR RELATIONS

The Company highly regards the investors' rights and interests. Therefore, the Company has established the Secretariat of the Board to be responsible for the management of investor relations in order to improve the management system of investor relations, to clarify the duties of investor relations management, and to establish the multi-channel communication mechanism at multiple levels and in multiple forms. During the Reporting Period, the Company communicated with investors by convening general meetings, arranging non-deal roadshows, participating in investor conferences, receiving investors' visits, arranging telephone conferences and conducting on-site surveys etc. Information disclosures were made as appropriate and a fair and transparent investment platform for the general investors was provided to improve the transparency of the Company. The Company has strived for management enhancement. Through strengthening the management of investor relations, the standard of standardized management and corporate governance has been further enhanced.

During the Reporting Period, no amendments were made by the Company to the Articles of Association.

Shareholder(s) may put forward any enquiries in writing to the Board of the Company. Shareholder(s) should send the duly signed written requisition, notice, statement or enquiry letter (as the case may be) to the registered address of the Company or the representative office in Hong Kong, and provide their full name, contact details and identification. Shareholders' information may be disclosed as required by laws and regulations. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send the documents as mentioned above to the following addresses:

Address:	**Principal Place of Business:**
	21st Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC
	Representative Office in Hong Kong:
	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Fax:	010–68138388
Email:	cnbmltd@cnbm.com.cn

1. SUSTAINABLE ENVIRONMENT

The core vision of CNBM is making best use of resources to serve construction. The Group values sustainable development, high efficiency utilization of natural resources and energies, sufficient consideration on climate change and other ecological and environmental aspects. In 2016, the Group highly promoted the "Responsibility for Blue Sky" action program. CNBM focuses on stimulation and expansion of green production industry, involving development of green products, green factories, green industry parks and green supply chain through improving production process, technological innovation and standardizing the environmental supervision system. The international competitiveness of the Group has been further improved with implementation of clean, low-carbon and sustainable production technologies. The co-existence of industrial and natural developments has been promoted as well. At the end of the reporting period, there were 381 member companies in the Group certified by the environmental management system.

The Group is consistent in implementing green and sustainable development, and has achieved remarkable outcomes in environmental protection. Subsidiaries of the Group were awarded several honorary titles including "100 Energy Saving and Emission Reduction Demonstration Enterprise in Construction Material Industry", "Advanced Enterprise in Energy Saving and Emission Reduction", "2016 Energy Efficiency Leader Enterprise", "Advanced Group in China Cement Industry for Energy Conservation and Emission Reduction", "2016 Demonstration Enterprise in Green Production", "China Green-Benefit Enterprise Award: Best Model" in 2016 World Economic and Environmental Conference, and "Owner of Consumer Satisfaction Survey in Green Construction Material Industry in 2016".

Sustainable Production

Protecting Air Quality

CNBM believes that protecting the air quality is a crucial mission and aim of the green industrial production. In the reporting period, the Group was actively involved in the "Responsibility for Blue Sky" action program, continuing upgrading environmental equipment and technologies, and scientifically planning practical scheme to address climate change to assure the air quality in production area. The Group always identifies maintaining the blue sky as its first responsibility.

To effectively control the air emissions in production process, all member companies in the Group adopt advanced production technologies and equipment. For example, all companies in cement production segment utilize the innovative dry cement production line, which is highly promoted by the government, and are equipped with the waste-heat power generation system. Besides, with the integrated installation of desulfurization and denitrification systems and electrostatic-type and bag-type dust collection systems, the emissions of sulfur dioxide, nitrogen oxide and fine particles (PM2.5) in the waste gas were largely reduced. Meanwhile, the Group regularly monitors the concentration of pollutants in air emissions to ensure that the emissions meet the relevant laws and regulations, such as *Emission Standard of Air Pollutants for Cement Industry (GB 4915-2013)*.

1. SUSTAINABLE ENVIRONMENT *(CONTINUED)*

Sustainable Production *(Continued)*

Protecting Air Quality *(Continued)*

To positively respond to the reduction plan of nitrogen oxide in the "Thirteenth Five-year Plan" of the PRC, the member companies in cement production segment of the Group conducted detailed research about nitrogen oxide emission reduction methodology, technical route and cost-benefit analysis in collaboration with research organizations of the Group. In the reporting period, cement production companies in the Group employed staged combustion, selective non-catalytic reduction (SNCR) and other denitrification techniques to largely reduce the nitrogen oxide concentration in emissions, which is much lower than the national standards. The glass fiber production companies in the Group developed ultra-large scale oxy-fuel combustion production line of glass furnace to significantly reduce the fuel consumption and gas emissions. Moreover, this technology reduces the generation of nitrogen oxides from the source and is well recognized world widely.

The improvement of carbon management in cement industry plays an important role in the national and even global carbon emission reduction scheme. As the leading enterprise in the cement industry, the cement production companies in the Group are active in conducting research about improving combustion technologies, exploring the replacement of traditional fuels to new composite materials and reducing the ratio of carbon dioxide emission factor to cement clinker to reduce the carbon emission during production. Moreover, the Group participates in the establishment of national carbon management system, the formulation of carbon accounting standards, the certification of low-carbon cement products and so on, making contributions to improving the carbon management level of the cement industry.

Protecting Aquatic System

The Group values the protection of aquatic system in production community. All member companies in the Group rigorously implement the wastewater management system. All the wastewater generated by the company operation activities, product production and service activities has been effectively treated to meet the industrial wastewater emission standards. The chemical oxygen demand (COD) and ammonia emissions, as national key monitoring indicators, are both at a low level in the discharged water. With attention paid to water resource protection, water recycling is realized in both waste gas systems and cooling systems. Auxiliary process water, such as washing water, is also effectively recycled through sedimentation and sewage treatment system. Industrial wastewater is drained up to standard. The Group also promoted "reuse of reclaimed water" project in pilot scale. Based on the advanced water treatment technologies, the industrial wastewater could be completely treated and reused for production. The Group expects to protect the aquatic water system through upgrading manufacturing equipment, optimizing production technologies and setting up scientific environmental supervision system.

1. SUSTAINABLE ENVIRONMENT *(CONTINUED)*

Sustainable Production *(Continued)*

Protecting Ecosystem

The Group strives to explore an effective mode for the industry to coexist with the nature and the society harmoniously. With practicing the *Convention on Biological Diversity*, the Group carries out strict arguments on the site selections and layouts of factories; protects natural habitats, wetland, forests, corridors for wildlife and agricultural land during the construction of the projects and reduces the adverse effect on surrounding environment and communities to the minimum. In the course of business, the manufacturers member companies of the Group pay great attention to the greening of plants and neighbouring areas, incorporating industrial production, landscape architect and flora and fauna, endeavouring for a natural blend of the industry with its surrounding ecological environment.

Mining is carried out according to the *Green Mine Convention*. The Group requires scientific mining process to reduce the adverse effect on surrounding environment to the minimum and protect the ecosystem. The Group timely carries out ecological restoration and soil and water conservation after mining. Attention is paid to mine reclamation and plant greening to build state-level green mines and garden-type eco-factories. At the end of the reporting period, eight mines of the Group had been recognized as national green mines.

The Group values the effective usage of resources. Solid waste is treated based on the principle of “Reuse, Reduce and Harmless” with prior consideration of comprehensive utilization and effective reutilization. Waste residues from production, reclaimed packing materials and nonconformity products are re-treated and recycled as raw material after passing inspections. This realizes recycling of self-produced solid waste. In the reporting period, the Group consumed around 82.15 million tons of industrial solid waste. The cement production segment consumed around 68.88 million tons of solid waste and the lightweight building materials production segment consumed around 13.27 million tons of solid waste. Meanwhile, the Group also actively promotes the co-processing of household waste in cement kilns.

The Group pays close attention to noise control and employee protection, monitoring and controlling the impact of production noise on the health of our employees and neighboring communities in accordance with national noise control standards. The Group strives to reduce noise hazards through optimized layout of production lines, use of physical isolation, green shielding and occupational protection. Almost 100% of boundary noise of our manufacturing member companies reach the noise control standards.

1. SUSTAINABLE ENVIRONMENT *(CONTINUED)*

Energy Conservation and Emission Reduction

Under the background of global environmental deterioration and transformation of traditional manufacturing industries, the Group understands the importance of taking on more social responsibility as the leader of industry. The Group conducts the production based on the principle of "energy conservation and emission reduction" and aims to develop into a "resource-saving and environmental-friendly" enterprise. In order to achieve reduction of energy consumption during production processes, the Group is determined to eliminate backward production equipment in a timely manner, conduct peak shifting production, implement equipment upgradation and continuously improve the combustion efficiency and power consuming efficiency, thereby achieving continuous reduction in energy consumption per unit of products, which is lower than the national standards and playing a leading role in the industry.

Team Building

The Group promotes the continuous improvement of energy saving and emission reduction work through three systems, including measurement and statistics, monitoring and analysis and evaluation and assessment. The Group implements category-based management for the Group's member enterprises. Based on the characteristics of member enterprises, classified objectives, assessment schemes, energy saving and emission reduction strategies, policies, planning and systems have been formulated. The Group attaches great importance to the construction of energy saving and emission reduction team. Management personnel on key positions have obtained relevant professional certificates. The Group continuously enriches the knowledge of employees who are responsible for energy saving and emission reduction, and improves their professional qualities and management competence through taking full advantage of internal and external resources and conducting related training courses.

Technology Upgrading

The Group strives to improve energy utilization efficiency level, achieving continuous reduction in energy consumption and emission levels per unit of products through ensuring investment in energy saving and environmental protection and efficient technology upgradation. In the reporting period, the waste-heat power generation system of cement production line was with 1,604 MW of installed capacity and generated more than 6.3 billion kWh of electricity from waste heat for one year. This is equivalent to saving more than 2.27 million tons of standard coal, to reducing more than 5.95 million tons of carbon dioxide (CO_2) emission, and to reducing more than 19.3 thousand tons of sulfur dioxide (SO_2) emission. In the lightweight building materials segment, the Group develops an innovative gypsum board manufacturing technology with completely using the waste flue gas desulfurization gypsum, produced by power plants, as the raw materials. The gypsum board produced by this technique is in low density and is with low energy consumption per unit of products, which has been the green model of the industry.

1. SUSTAINABLE ENVIRONMENT *(CONTINUED)*

Energy Conservation and Emission Reduction *(Continued)*

Green Building Materials

The Group actively develops and promotes green building materials. The Group chooses environmental-friendly and safe raw materials to ensure the using and living safety of consumers; improves the quality of products; extends the service life of products and reduces repetitive production. The Group also develops and uses industrial waste resources as raw materials to produce building materials to reduce the consumption of natural mineral resources and achieves maximized recycle and effective disposal after service life. Striving to provide high standard green building materials and products, the Group continuously explored and developed for years and gradually formed proprietary intellectual property rights and core strengths. The Group researches and develops new building materials, which is carried out in accordance with four core concepts, namely energy saving, safety, comfort and ecology. For example, the Group has developed and produced formaldehyde-free gypsum board, into which formaldehyde decomposer is added to effectively decompose formaldehyde in the environment, reaching 94.8% purification rate. This technology solves formaldehyde adsorption saturation and releasing problems of previous formaldehyde-free gypsum board. Also, the Group has developed and produced mould-proof gypsum board with zero-level of mould proofing. This technique solved the mould growing problem on decorative materials in south China with humid climate. Moreover, the Group has developed different types of other green building materials, like sound-insulating and radiation-proof gypsum board as well as phase change gypsum plasterboard.

Green Office

On the initiative of advocating the concept of green office, the Group has formulated detailed plans on green office. Operation performance of green office is included in routine monitoring and evaluation system. The Group actively promotes the construction of video conference system to reduce the number of on-site conferences and arranges business travel in a scientific way and prefers vehicles with low carbon emission.

Case Study

The Plant View of Tai'an China United Cement Company Limited

1. SUSTAINABLE ENVIRONMENT *(CONTINUED)*

Energy Conservation and Emission Reduction *(Continued)*

Case Study *(Continued)*

Tai'an China United Cement Company Limited, one member company of the Group, employs the "cement + mouse" intelligent production model, which means "internet + cement manufacturing". It has achieved remote monitoring and intelligent manufacturing with world-class performance indicators of energy utilization efficiency, environmental protection and production efficiency. Tai'an China United Cement Company Limited is regarded as the world-class demonstration cement production plant with low energy consumption. This innovative practice has been successfully awarded as "China Green Technology Innovation Achievements" by the United Nations Global Compact.

Clean Energy

Developing clean energy is one of the effective ways to reduce the use of fossil energy and the emission of greenhouse gas. The Group researches and develops new energy materials, energy utilization technology and product system, in order to provide high quality products and technology support in large scale for the clean energy industry development. Currently, wind energy and solar energy are the clean energies extensively in use. The member companies of the Group successfully develop megawatt-class wind turbine blades and continue improving product quality as well as enriching product types based on the internal research team. The produced wind turbine blades could meet the requirements of super-large units and be suitable to use for sea and land environments. Furthermore, the team solved the degradation problem of wind turbine blades through replacing the raw materials. The Group has been the largest megawatt-class wind turbine blades supplier in the country and has been the leader in the field of wind turbine blades manufacturing. The Group also spares no efforts in the development of thin film solar cell industry chain. The Group provides solar roof, solar charging station and photovoltaic building design and construction services. Through international corporations, the Group aims to develop solar cell industry into a low-carbon and environmental-friendly industry through increasing the working efficiency of thin film photovoltaic products.

The wind turbine blade manufacturing companies in the Group have developed more than 60 types of blade products in ten series with power from 1.25 to 6 MW and with length from 31 to 75 meters. As the leading researcher of offshore rotor blade in China, the member companies have provided blades for the offshore wind power projects for more than 400 MW, accounting for 40% of the China's offshore wind blade market. In 2016, the provided wind turbine blades by member companies reached 2.79 million kW, and effectively generated electricity of 3.1 billion kWh based on the annual generating capacity of 1,100 hours. This is equivalent to saving more than 0.97 million tons of standard coal consumed by thermal power generation, to reducing more than 2.53 million tons of carbon dioxide (CO_2) emission, to reducing more than 8,221 tons of sulfur dioxide (SO_2) emission and to reducing more than 7,158 tons of nitrogen oxide (NO_x) emission. The member companies of engineering service segment further promote the industrialization of energy-saving glass, such as offline Low-E film coated glass. The Group also makes breakthrough improvements in the ultra-white glass technology and equipment and advanced TFT-LCD glass substrate floating process. The laboratory photoelectric conversion efficiency of CdTe thin film solar cell has reached 17%.

1. SUSTAINABLE ENVIRONMENT *(CONTINUED)*

Case Study

Zhongfu Lianzhong Develops LZ75-5.0 Type Rotor Blade

Technology innovation is the motivation of sustainable development of an enterprise. The member company of the Group, Lianyungang Zhongfu Lianzhong Composite Materials Group Company Limited ("Zhongfu Lianzhong"), independently developed LZ75-5.0 rotor blade and this product successfully rolled off production line in Lianyungang plant in October 2016. With the length of 75 meters and the design weight of 30 tons, this type of rotor blade servers for the unit of 5.0 MW. It is typhoon-resistant and could fully meet the demands for offshore wind power generation. The completion of LZ75-5.0 rotor blade marks that the design and manufacturing of wind-power blade in China has reached the leading level world-wide.

The Achievements of Green Production

Solid Waste Co-processing in Cement Kiln Project by Huzhou South Cement Company Limited

1. SUSTAINABLE ENVIRONMENT *(CONTINUED)*

The Achievements of Green Production *(Continued)*

Solid Waste Co-processing in Cement Kiln Project by Huzhou South Cement Company Limited *(Continued)*

Solid waste co-processing in cement kiln is a national key project, with long-term significance of improving environmental quality and promoting sustainable society. Huzhou South Cement Company Limited, one member company of the Group, launched the sludge co-processing project in cement kiln since 2013, and increased the sludge treatment amount year by year. In 2016, a total of 65,165 tons of sludge was treated by the company, with the revenue of 11.73 million RMB. The company has accumulatively treated 158,582 tons of sludge, with a total revenue of 28.54 million RMB since the beginning of the project. Moreover, Huzhou South Cement Company Limited also co-processed the hazardous solid waste in cement kiln with annual treatment capacity of around 100 thousand tons in 2016. This project utilizes the high temperature in cement kiln to efficiently decompose hazardous matters and realizes the harmless conversion of hazardous solid waste. By the end of 2016, the company treated 11,717 tons of hazardous solid waste, with revenue of 4.12 million RMB.

BNBM – The Key Technology and Equipment of Producing Large-Scale Gypsum Plaster Board with Desulfurization Gypsum

As the leader of green building material manufacturing, BNBM independently develops the key technology and equipment of producing large-scale gypsum plaster board with 100% of flue gas desulfurization gypsum. The technology breaks the monopoly of foreign countries in using low-quality desulfurization gypsum and promotes the efficient utilization of flue gas desulfurization gypsum in China. This outcome has reached international advanced level and recycling and realized lifecycle green production including raw material, production process, application and recycling periods. With an annual production of 60 million m^2 of gypsum board, for example, this technology can consume 0.5 million tons of desulfurization gypsum per year, and thus save 140 mu of land for storing desulfurization gypsum, with annual revenue of 360 million RMB. The key technology and equipment of producing large-scale gypsum plaster board with desulfurization gypsum have been awarded "Beijing Science and Technology Award – First Prize", "China Association of Circular Economy Scientific Technology Award – First Prize", "Beijing Building Materials Federation. The Chinese Ceramic Society Scientific Research First prize" and so on.

2. EMPLOYEE CARE

The Group is committed to making every effort to safeguard the rights of our employees, respect their difference and provide a safe and comfortable working environment for each employee. In the pursuit of the core value of the Group, it strives to build up employee cohesion and sense of belonging through implementation of the human resources policies, employee benefits, occupational training and related activities.

Equality and Diversity

The Group upholds the principles of equal competition and merit-based employment selection. In compliance with the *Labor Contract Law of the People's Republic of China* and relevant legislations and regulations, the personnel management system has been rigorously formulated and recruitment and employment procedures have been strictly standardized. The Company also scientifically enacted the "Regulations of Labor Contracts", thereby standardizing the dismissal procedures. For example, the Company requires new employees to provide accurate and real personal information before they start their jobs. For applicants or employees who provide fake material or information, the Group will not employ them or terminate their probation period or labor contracts. The Group worships the diversified employee composition, welcoming employees with different races, educational experience, geographical regions, level of knowledge and skills. The Group has established a scientific remuneration system in accordance with relevant national laws, regulations and policies, and take the principle "Distribution according to Employees' Performance" as well as employees' job responsibilities and personal comprehensive competence into consideration during establishing the remuneration system. Adhering to treating employees equally without discrimination, the Group conducts employment and recruitment activities in an open, fair and impartial way. Insisting on the principle of "Equal Pay to Equal Work", the Group treats employees equally no matter what are their genders, ages, ethnicities, religions and any other factors.

As of December 31, 2016, the total number of permanent employees of the Group was 106,989. The Group focuses on protecting the legitimate rights and interests of its employees. The Group implements annual regular performance appraisal of all employees in accordance with their working competences and performances, thereby providing basic reference for salary adjustment and future promotion of employees.

The Group strictly prohibits and rejects the child and forced labor in any form, rigorously operating and complying fully with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and relevant laws and regulations.

2. EMPLOYEE CARE *(CONTINUED)*

People-first

The Group pursues "people-oriented" philosophy, concerning about physical and mental health of all employees. The Group has conscientiously abided by the *Labor Contract Law of the People's Republic of China* in formulating its internal employees' leave and attendance regulations. Employees can enjoy fringe benefits including sick leave, casual leave, marriage leave, maternity leave, paid annual leave and statutory holidays, etc. The Group adopts a paid leave system according to such related regulations as *Regulations of Paid Annual Leave of Employees* to regulate employees' working hours and remuneration for overtime work. The Group pays basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, work injury insurance and housing fund for employees with formal labor relations in accordance with laws and establishes scientific remuneration system and incentive mechanism. The Group also provides a series of welfare for employees. For example, the Group organizes various cultural and art activities and sports competitions to improve employee's capabilities of beautifying themselves, managing their families and enhancing team cohesion within company.

Figure 1: Christmas Party in headquarters

2. EMPLOYEE CARE *(CONTINUED)*

People-first *(Continued)*

Figure 2: BNBM and Dong Fang Yi Hao co-sponsored "Win-win Cooperation, Basketball Friendly Match"

Safety and Comfort

The Group has always considered its employees as its most precious asset. Over the years, the Group dedicated to establish a domestically top-ranking management system for safe production, with safe production accountability system as the core, the standardization of safe production and position safety technical regulations as the emphasis, troubleshooting and treatment of accident potential as the methods, the informatization of safety management as the tool and the development of safety culture as the guarantee, to ensure the safe production and avoidance of occupational hazards of employees. The Group strives to create a happy and comfortable work environment for employees.

As a safety production standardization pilot enterprise nationwide, the Group strictly abides by the *Safety Production Law of the People's Republic of China, Safety Occupational Disease Prevention Law of the People's Republic of China* and other laws and regulations. The Group set up the "Safe Production Organizational System" according to the principles of comprehensive coverage, feasibility and practicality. The principals of enterprises would be the primary persons responsible for safety in the workplace and take charge of safe production matters directly. All key production safety enterprises within the Group employ full-time production safety management personnel. The Group established smooth channels for feedback on safety issues and encourages all employees to participate in safety management. The Group strictly follow CNBM's relevant safety training rules, ensuring the popularization of safety knowledge, the execution of safety procedures, the implementation of contingency plans, the knowledge of occupational hazards, the self-protection abilities and emergency response ability through training and assessment.

2. EMPLOYEE CARE *(CONTINUED)*

Safety and Comfort *(Continued)*

The Group actively promotes the closed-loop control, composed of "basic capacity development – assessment and control of accident potential – work performance and incentive assessment – the ability to enhance the safe operation" to achieve the PDCA's continuous improvement (as shown below).

The Group has explored and established a troubleshooting and management system for the hidden dangers of accidents, with the practice of job responsibility as the core, the listing troubleshooting standard as the tool, the closed-loop self-investigation and reporting as the method and the means of information management as the support. The Group will apply the information technology to the daily management of safe production and include the self-developed safety management information system into the key promoting projects of the Integration of Information and Industrialization Program set up by the Ministry of Industry and Information Technology of the PRC. This safety management information system achieves the online management of safety qualification management, safety basic archives, accident potential investigation, hazardous sources management, safety inspection and safety training and other important procedures and processes of safety production management. The Group takes safety culture construction as a guarantee, attaching great importance to the safety and occupational health management of the employees of the suppliers and subcontractors. The safety and occupational health provisions are incorporated into the service contracts and the joint safety inspections, training and emergency drills are carried out jointly with the cooperative enterprises.

Progress Together

Through absorbing advanced personnel training experience and combining with our own development characteristics, the Group established an employee fostering and training platform with multi-channel, multi-form, grade differentiation and various focuses. The Group adopts the training methods of "internal training as principal, external training as supplement", sharing educational resources and building the Group's three-dimensional training system. The Group also supports the employee independent training and encourages employees to study proactively by providing support and guarantee to re-education, re-training and re-learning in terms of working hours, training investment input and incentive mechanisms.

2. EMPLOYEE CARE *(CONTINUED)*

Progress Together *(Continued)*

Part of the internal training activities of the Group are as follows:

Name of Training	Contents of Training
New Employee Training	Training activities for new employees include lectures for corporate management and business knowledge, enterprises on-site inspection and team quality expanding, etc.
Emergency Drill Training	To carry out various forms of emergency drills, thereby improving the feasibility, tightness and reliability of emergency rescue system and contingency plans. To accumulate practical experience of dealing with emergency situations, and enhance safety awareness and skills of employees.
Safety Knowledge Training	Improve the level of safety production through safety training. Improve the level of technical knowledge of workers and the level of safety management of managers, and stimulate them to update technical knowledge in a timely manner.

The New Employee Training in the headquarter office in 2016

2. EMPLOYEE CARE *(CONTINUED)*

Progress Together *(Continued)*

Member enterprise Changde South Cement Co., Ltd. – mine collapse emergency rescue training and exercise

Member Enterprise Dengfeng Zhonglian Dengdian Cement Co., Ltd. – Safety knowledge training

3. OPERATIONAL MANAGEMENT

The Group always adheres to good faith as the premise and takes the good operation and management as the base. In this case, the Group has always pursued strict rules and regulations in supply chain management, equity and privacy protection and clean government construction and pay attention to every detail in daily operations. All employees are required to seriously follow every standard and operation process during the business activities. The Group maintains a good mutual trust and partnership between the customers and suppliers. Also the Group always encourages customers and suppliers to participate in the schema which has mutual benefit and collaborative development. In this case, the quality of the company's products and the enhancement of the incorruption construction of the company can be ensured.

Supply Chain Management

The Group has established standard operation procedures and will regularly review and reevaluate the procedures to regulate the supplier management. The Group and its affiliated companies mainly consider the credit rating, qualification certificate, the sources of the products and the quality assurance in the selection of suppliers. The Group will sign a formal contract with products and service suppliers with a list of laws and regulations and various additional requirements of sustainable development and anti-commercial bribery before the establishment of cooperation. For social responsibility management of suppliers, the Group will actively and regularly communicates with suppliers in terms of major security and environmental related issues. If mistakes occur, accident and cause analysis will be carried out for continuous improvement.

In the raw materials purchasing process, the Group implements green purchase in depth and prioritize the products which are environmental friendly with low carbon emission and less environmental disruption during the productive process.. For energy products selection, clean energy will be firstly considered. The Group vigorously promote the use of low-grade energy, urban waste, biomass energy and other non-fossil energy. For daily office supplies, the Group chooses those which have simple package and easy recycling as far as possible.

For logistics trade, the Group applies the new Internet technology and e-commerce operation experience into effective integration of large building materials suppliers, logistics, credit insurance, inspection and quarantine services. The Group is committed to providing comprehensive solutions to the whole process of international trade in order to completely achieve one-stop online management, and thereby making the Group become a globally oriented service supplier of building materials trade supply chain. The Group is named as a key enterprise for major export supporting and commercial circulation by the Ministry of Commerce.

3. OPERATIONAL MANAGEMENT *(CONTINUED)*

Products and Services

The Group has been constantly optimizing the traditional industrial structure, extending the industrial chain and actively promoting the cement business to the "high-labeling, specialization, business mixing, product oriented" direction, while exploring the development of "Internet plus" "Made in China 2025" which makes industry move towards green, intelligent and high-end oriented. The implementation of new building materials, new houses and new energy sources present new growth. In addition, the Group actively promotes the quality control (QC) group activities and product quality management throughout the whole process from raw materials in and out the factory.

The Group is committed to providing green building materials products. From four core concepts of energy saving, safety, comfort and ecology, the Group researches and develops new building materials. In the production process of green building materials, the use of natural energy can be reduced or avoided. It helped to save a lot of energy and disposed industrial waste and reduced environmental pollution. In the production process of green building materials products, the Group adopt waste reuse production mode for more clean production, so that the waste can once again become energy and be recycled. This will not only save a lot of resources, but also reduce the generation of waste and environmental pollution. In the choice of materials, the Group thoroughly considers the problems of the materials about scrap, recycle and reuse of the material. In the case of that, the problems that the waste cannot be recycled and difficult to dispose during the production process can be avoided. The Group also avoids using the method that may produce harmful substances during the design process and try to use clean energy for the production and recycling. To encourage people to consume multi-functional building material and accelerate the development of green building materials, the Group adheres to the concept that design is for both the production and environment.

In respect of services and complaints, the Group has established pre-sales consulting, sales and after-sales service system. In the face of customer complaints and customer inquiries, the personnel in charge must deal with it immediately, and the results will be quickly conveyed to customers. The Group has established the principle of putting customer service first and tried to avoid legal proceedings. The Group requires that no matter what the complaint is, regardless of the weight attached to the reason of complaint, the administer must apologize to the customer, and expressed respect for the customers.

The Group relies on a wealth of product categories, adequate production capacity, reliable product quality assurance and convenient and friendly service system to provide customers with more than the return of commercial value.

3. OPERATIONAL MANAGEMENT *(CONTINUED)*

Property Rights Protection

Based on the *Company Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Unfair Competition Law of the People's Republic of China*, the Group, in line with the protection of intellectual property rights, the management of scientific research funds and the confidentiality of information, combined with internal control system construction and risk management requirements, developed a detailed and regulated system of intellectual property rights management with the characteristics of the building material industry to provide a mechanism to ensure the orderly progress of scientific research.

The Company has established the provisional rules of intellectual property right management based on *Patent Law of the People Republic of China* in order to adapt the competition of domestic and international markets, strengthen the legal protection of the intellectual property rights ("IPR") of the Company and improve the ability of the Company to protect and manage IPR in the activities of researching, production and business operations. The aim is to fully rely upon and utilize the IPR system to implement technology innovation and establish a proper management and protection mechanism for intellectual property rights. By encouraging the enthusiasm of the employees and promoting the innovation of technology and protecting the legitimate rights, the Group has built an innovative enterprise and provides a strong guarantee for the healthy and stable development of the Group and its various sectors.

Product Promotion and Privacy Protection

The Group has conscientiously abided by the laws and regulations on labeling, advertising and respects for customer privacy in accordance with the *Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China*, and formulated relevant rules for the implementation of the Group based on the Group's actual situation. For example, a member of the Group, BNBM, developed the "BNBM Trade Secret Management Implementation Rules" and promised all public products and market information are subject to a rigorous review.

The Group eliminates the use of false and misleading statements during product promotion and trading. The Group also attaches great importance to protecting the privacy of both its own and its customers, requiring employees in possession of confidential information to enter into confidentiality agreements with the Company and to strictly protect clients' personal data and information when serving them.

The Clean Government Construction

The construction of clean government is an indispensable part of the cultural construction of the Group and plays an important role. The Group strictly abided by the laws and regulations such as *the Criminal Law of the People's Republic of China, the Anti-Corruption and Bribery Law of the People's Republic of China and the Regulations on Prevention of Bribery in Hong Kong* and promulgated the "Responsibility System for Building a Clean and Honest Administration in China" "China Building Materials Co., Ltd. Party Committee on the implementation of the system to implement the reminder system" and other rules and regulations to prevent corruption and bribery, fraud, blackmail, money laundering and other improper behaviors.

4. COMMUNITY CONTRIBUTION

The Group pursues to accomplish mutual development and growth with local community during its production and business operation. The achievements and received honors of the Group are closely related and inseparable from the support of stakeholders and the community. The Group also gives back to the society through its contribution to characterized public welfare activities. The employees of the Group are willing to devote themselves to volunteer activities and fulfill their corporate citizenship with practical actions.

Targeted Poverty Alleviation

As a state-owned enterprise, while the Group has performed well in production and operation, it has always put the poverty alleviation work as the focus of the social responsibility. It has invested millions of RMB in targeted poverty alleviation work. Through the donation of poverty alleviation funds to help the local to resist natural disasters, improve the educational environment, solve the housing difficulties and repair roads and the electricity and water infrastructure construction.

Case 1: Zhongfu Lianzhong Poverty Donation

In response to the implementation of the Thirteenth Five-year Plan rural poverty alleviation project in Jiangsu Province, a member of the Group, Lianyungang Zhongfu Lianzhong Composite Materials Group Co., Ltd. donated RMB42,000 to the donation fund for poverty in 2016. For Lianyungang City poverty alleviation project to make a contribution.

Case 2: Care for Children Left Behind

The Group is concerned about the healthy growth of the left-behind children. Volunteers from a member of the Group, Lianyungang Zhongfu Lianzhong Composite Materials Group Co., Ltd., volunteered to go to Guannan Yucai Primary School on a regular basis each year to visit the left-behind children and hold public donations to present them with warmth from the Company (As shown below).

4. COMMUNITY CONTRIBUTION *(CONTINUED)*

Volunteer Activity

The Group promotes a harmonious social atmosphere, encourages employees to provide volunteer services and actively participate in social and charitable activities. The Group provides assurance and support for volunteer activities in the areas of organization, working mechanism, timetable, financial support and communication, and has established a number of volunteer activity organizations to carry out a variety of volunteer activities, dedicating love and passing happiness.

Case: Youth BNBM • Lacquer home brand volunteer activities

On March 19 to 20 and December 10 to 11 of 2016, a member of the Group, BNBM and Tsinghua University Association of whitewashed craftsmen have jointly visited Xiangshang primary school and Xingzhi primary school (Gongcun school). The dormitory walls of the migrant workers' children were whitewashed and color painted. (As shown below)

5. HKEx "ENVIRONMENTAL, SOCIAL AND GOVERNANCE "COMPLY OR EXPLAIN" PROVISIONS REPORTING GUIDE" INDICES

HKEx ESG Guideline Description		Page Reference	Remark
A. Environmental			
Aspect A1: Emissions			
General Disclosure	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P55-57	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P58-59	
Aspect A3: The Environmental and Nature Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P55-62	
B. Social			
Aspect B1. Employment and Labour Practices			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P64-65	

5. HKEX "ENVIRONMENTAL, SOCIAL AND GOVERNANCE "COMPLY OR EXPLAIN" PROVISIONS REPORTING GUIDE" INDICES *(CONTINUED)*

HKEx ESG Guideline Description		Page Reference	Remark
B. Social			
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P65-66	
B. Social			
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P66-68	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P63	
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P69	

5. HKEX "ENVIRONMENTAL, SOCIAL AND GOVERNANCE "COMPLY OR EXPLAIN" PROVISIONS REPORTING GUIDE" INDICES *(CONTINUED)*

HKEx ESG Guideline Description		Page Reference	Remark
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P70-71	
B. Social			
Aspect B7: Anti- corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P71	
Aspect B8: Community Investment			
Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P72-73	

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2016 to its shareholders.

PRINCIPAL BUSINESS

The Group is a holding company and its subsidiaries and associates are mainly engaged in the cement, lightweight building materials, glass fibre, composite materials and engineering services businesses. Particulars of the principal businesses of the Company's subsidiaries are set out in Note 7, Note 20 and Note 21 to the Group's consolidated financial statements respectively.

RESULTS

The results of the Group during the year are set out in the Consolidated Income Statements in this annual report.

DIVIDENDS

The Board 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.

DIVIDENDS *(CONTINUED)*

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.

DIVIDENDS *(CONTINUED)*

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.

DIVIDENDS *(CONTINUED)*

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before 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.

BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the directors' report. According to the Schedule 5 to the Company Ordinance, a business review shall cover certain aspects, the details of which are as follows:

1. A fair review of the company's business

   Pages 23 to 39 of this report.

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

   Pages 24 to 27 and pages 29 to 38 of this report.

3. Particulars of important events affecting the company that have occurred since the end of the financial year

   Page 99 of this report.

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

   Page 39 of this report.

5. An analysis using financial key performance indicators

   Pages 29 to 38 of this report.

6. The company's environmental policies and performance

   Pages 55 to 76 of this report

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

   Save for Code Provision A.4.2 of Corporate Governance Code set out in Appendix 14 to the Listing Rules (for details, please refer to the descriptions on page 40 of Corporate Governance Report herein), the Company has been in compliance with relevant laws and regulations that have a significant impact on the Company.

   The Company has actively promoted legal education at the Group and issued documents in respect of the latest laws and regulations to its subsidiaries on a regular basis, thereby raising the legal awareness of all the employees in a holistic manner and in turn ensuring the strict compliance of the Group with regulations on fields such as corporate governance and environmental protection.

8. Key relationships with employees, customers, suppliers and others

   The Company is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB29,088.1 million. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of each of the principal subsidiaries and associates of the Company are set out in Notes 20 and 21 to the consolidated financial statements.

CAPITALIZED INTERESTS

Details of capitalized interests of the Company during the year are set out in Note 9 to the consolidated financial statements.

Share Capital Structure (as at 31 December 2016)

	Number of shares	**Percentage of issued share capital** *(%)*
Domestic Shares	2,519,854,366	46.67
H Shares	2,879,171,896	53.33
Total share capital	5,399,026,262	100

Substantial Shareholders (as at 31 December 2016)

Name	**Class of shares**	**Number of shares held**	**Percentage of total share capital** *(%)*
Parent	Domestic Shares	666,962,522	12.35
	H Shares	8,536,000	0.16
BNBMG	Domestic Shares	1,485,566,956	27.52
CNBM Trading	Domestic Shares	227,719,530	4.22
Cinda	Domestic Shares	138,432,308	2.56
Building Materials Academy	Domestic Shares	1,173,050	0.02
Public Investors	H Shares	2,870,635,896	53.17
Total share capital		5,399,026,262	100

CAPITALIZED INTERESTS *(CONTINUED)*

Substantial Shareholders (as at 31 December 2016) *(Continued)*

Note: Any discrepancies in the table between totals and sums of shareholding percentages are due to rounding.

On 14 November 2016, the Parent entered into the Agreement on Partial Transfer of State-owned Shares at Nil Consideration (部分國有股份無償劃轉協議) with Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. respectively, pursuant to which, the Parent transferred 80,985,394 Domestic Shares at nil consideration to Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. respectively, representing 1.5% of the total share capital respectively and such share transfers were completed respectively on 22 February and 23 February 2017. As at the date of this report, Domestic Shares of the Company directly held by the Parent represent 9.35% of the total share capital.

DISCLOSURE OF INTEREST

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO")

So far as was known to directors or supervisors of the Company, as at 31 December 2016, the shareholders (other than the directors or supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital (%)[1,5]	Percentage of total share capital (%)[1,5]
Parent	Domestic Shares	Long	Beneficial owner	666,962,522			
	Domestic Shares	Long	Interest of a controlled corporation	1,714,459,536			
				2,381,422,058	2,3,4	94.50	44.10
	H Shares	Long	Beneficial owner	8,536,000		0.29	0.15
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956	2	58.95	27.52
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	9.04	4.22
Cinda	Domestic Shares	Long	Beneficial owner	138,432,308	4	5.49	2.56

DISCLOSURE OF INTEREST *(CONTINUED)*

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(Continued)*

Notes:

1. As at 31 December 2016, the Company's total issued share capital comprises 5,399,026,262 shares, including 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

2. Of these 2,381,422,058 shares, 666,962,522 shares are directly held by the Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

3. On 14 November 2016, the Parent entered into the Agreements on Gratuitous Partial Transfer of State-owned Shares (部分國有股份無償劃轉協議) with each of Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. (國新投資有限公司) respectively, pursuant to which the Parent agreed to gratuitously transfer 80,985,394 Domestic Shares to each of Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. (國新投資有限公司). Such share transfers were completed on 22 Feb 2017 and 23 Feb 2017 respectively. Accordingly, as at the date of this report, the number of shares directly held by Parent has decreased from 666,962,522 shares to 504,991,734 shares, and the aggregate number of shares directly held by Parent and deemed to be owned by the Parent has decreased from 2,381,422,058 shares to 2,219,451,270 shares.

4. Pursuant to a share transfer agreement dated 31 December 2009 entered into between the Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to the Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between the Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to the Parent ("Second Transfer of Shares"). As the proposal in relation to bonus issue of shares on the basis of ten bonus shares for every ten shares held by shareholders of the Company was passed at the 2010 annual general meeting of the Company, the Parent and Cinda entered into a supplemental agreement to the aforesaid two share transfer agreements on 31 August 2012, whereby Cinda agreed to adjust the 61,800,137 Domestic Shares of the Company transferred to the Parent to 123,600,274 Domestic Shares. Consequently, under the SFO, the Parent was deemed to own 2,343,051,544 Domestic Shares (representing 92.98% in the domestic share capital and 43.39% in the total share capital) and Cinda was deemed to own 14,832,034 Domestic Shares (representing 0.58% in the domestic share capital and 0.27% in the total share capital). As at the date of this report, the formalities in respect of the share transfer registration of the aforementioned transactions of shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed.

5. All the above percentages are calculated by rounding to two decimal places.

DISCLOSURE OF INTEREST *(CONTINUED)*

1. Substantial Shareholders and persons who have an interest or short position disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(Continued)*

Save as disclosed above, as at 31 December 2016, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

2. Interests and Short Positions of Directors and Supervisors

As at 31 December 2016, as far as the Company is aware, none of the directors nor supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the directors or supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

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

During the year, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchase amount and purchases from the Group's single largest supplier amounted to 1.2% of the Group's total purchases for the year.

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).

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2016, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and so far as the directors are aware, as at the date hereof, more than 25% of the Company's total issued shares are held by the public, which satisfied the requirement of the Listing Rules.

RESERVES

Movements in the reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" of this annual report.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company on 31 December 2016 were RMB4,252.2 million.

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.

SHARE APPRECIATION RIGHTS PLAN

In order to provide additional incentives to the Group's senior management and to enhance the alignment between the performance of the Group's senior management and shareholder value, on 28 February 2006, the Company adopted a long-term incentive plan of share appreciation rights for the Group's senior management officers, senior experts and specialist who make important contributions to the Group.

Under the Plan, share appreciation rights ("SA Rights") represent the right to receive a cash payment equal to the appreciation, if any, in the fair market value of an H Share from the date of the grant of the right to the date of exercise.

SHARE APPRECIATION RIGHTS PLAN *(CONTINUED)*

SA Rights will be granted in units with each unit representing one H Share. All SA Rights will have an exercise period of six years from the date of grant. An individual may not exercise his or her SA Rights during the first two years after the date of grant. After two and three years of the date of grant, the total number of SA Rights exercised by an individual shall not in aggregate exceed one-third and two-thirds, respectively, of the total SA Rights granted to the individual. After four years of the date of grant, the SA Rights will be fully vested.

The SA Rights vest at different amounts until the grantee has completed a specified period of service.

During the Reporting Period, there were no outstanding or unvested SA Rights and no SA Rights were granted.

According to Guo Zi Fa Fen Pei [2006] No. 8 (《國有控股上市公司（境外）實施股權激勵試行辦法》國資發分配[2006]第8號), "Trial Method for Share Incentive Scheme of State-controlled Listing Company", the compensation should not exceed 40% of personal total salary and bonus.

The valid term of the SA Rights Plan is ten years and has expired as at 27 February 2016.

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

Executive Directors

Song Zhiping	(appointed on 10 March 2005)
Cao Jianglin	(appointed on 10 March 2005)
Peng Shou	(appointed on 20 June 2006)
Cui Xingtai	(appointed on 24 August 2009)
Chang Zhangli	(appointed on 15 November 2011)

Non-executive Directors

Guo Chaomin	(appointed on 15 November 2011)
Chen Yongxin	(appointed on 27 May 2016)
Tao Zheng	(appointed on 17 October 2014)

Independent Non-executive Directors

Sun Yanjun	(appointed on 17 October 2014)
Liu Jianwen	(appointed on 27 May 2016)
Zhou Fangsheng	(appointed on 27 May 2016)
Qian Fengsheng	(appointed on 27 May 2016)
Xia Xue	(appointed on 27 May 2016)

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

Supervisors

Wu Jiwei	(appointed on 15 November 2011)
Zhou Guoping	(appointed on 10 March 2005)
Wu Weiku	(appointed on 17 October 2014)
Li Xuan	(appointed on 27 May 2016)
Cui Shuhong	(appointed on 10 May 2005)
Zeng Xuan	(appointed on 25 March 2016)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the date of this report, each of the Directors and Supervisors has entered into a service contract with the Company for a term of a maximum of three years. There is no unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) in respect of any Director proposed to be re-elected.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at the date of this report, during the year and at any time during the period from the end of the year to the date of the report, except for the relevant service contracts, there were no transactions, arrangements or contracts of significance to which the Company or any of its holding companies or its subsidiaries or fellow subsidiaries was a party and in which any of directors or supervisors or any entity connected with such directors or supervisors (as defined in the Hong Kong Companies Ordinance) had a material interest, whether directly or indirectly.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' remuneration and the individuals who are the five highest paid individuals of the Company during the year are set out in Note 10 to the consolidated financial statements.

The remuneration paid to senior management (exclusive of the four Directors) of the Company during the year is disclosed by band as follows:

Remuneration Band	No. of individuals
0-RMB1,000,000	6
RMB1,000,000 – RMB1,500,000	2

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

As at the date of this report, the Board comprised 13 directors, whose biographies are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

The Board established four special committees, namely, the Strategic Steering Committee, the Nomination Committee, the Audit Committee and the Remuneration and Performance Appraisal Committee, details of which are set out in the section headed "Corporate Governance Report" herein.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As the term of the third session of the Board had expired, as considered and approved at the 2015 annual general meeting of the Company held on 27 May 2016, Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Guo Chaomin, Mr. Chen Yongxin, Mr. Tao Zheng, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue were elected as directors of the fourth session of the Board. Among whom, Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai and Mr. Chang Zhangli are executive Directors, Mr. Guo Chaomin, Mr. Chen Yongxin and Mr. Tao Zheng are non-executive Directors, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue are independent non-executive Directors. The term of the fourth session of the Board is three years, commencing from 27 May 2016 and ending on 26 May 2019.

As Mr. Liu Zhiping ceased to serve as the staff representative supervisor of the Company due to change of work allocation, Ms. Zeng Xuan was elected as a staff representative supervisor of the Company at the staff general meeting held on 25 March 2016 with a term the same as the remaining term of the third session of the Supervisory Committee. As the term of the third session of the Supervisory Committee of the Company had expired, as considered and approved at the 2015 annual general meeting of the Company held on 27 May 2016, Mr. Wu Jiwei, Ms. Zhou Guoping, Mr. Wu Weiku, and Mr. Li Xuan were elected as the Supervisors of the Company, who, together with Ms. Cui Shuhong and Ms. Zeng Xuan (each of whom was elected as a staff representative Supervisor of the fourth session of the Supervisory Committee at the staff general meeting held on 26 May 2016), constitute the fourth session of the Supervisory Committee. The term of the fourth session of the Supervisory Committee is three years, commencing from 27 May 2016 and ending on 26 May 2019.

The 16th meeting of the third session of the Board convened on 25 March 2016 considered and approved the appointments of Ms. Pei Hongyan as the chief accountant of the Company and Mr. Zhang Dongzhuang as the vice president of the Company. The terms of the above new senior managements are same as the remaining term of the third session of the Board. The first meeting of the fourth session of the Board convened on 27 May 2016 considered and approved the re-appointments of all senior management members (including the above two senior management members) with the same term as the fourth session of the Board.

MANAGEMENT CONTRACTS

Except for the service contracts of the management of the Company, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management or handling of all or any material part of the Company's business.

CONNECTED TRANSACTIONS

Partially Exempted Continuing Connected Transactions

The connected transactions of the Company, which are also related party transactions, are set out in Note 44 to the consolidated financial statements in accordance with International Accounting Standard 24 "Related Party Disclosure".

The following transactions entered into by the Company constitute "continuing connected transactions" as defined under chapter 14A of the Listing Rules:

Transactions with the Parent Group

As at the date of this report, the Parent has a direct equity interest of 9.51% and total direct and indirect equity interest of 41.25% in the Company. It is a controlling shareholder of the Company. Each of the Parent and its subsidiaries therefore constitutes a connected person of the Company under the Listing Rules.

1. Master Purchase of Mineral Agreement

On 27 December 2013, the Company entered into a Master Purchase of Mineral Agreement with the Parent, for a term of three years commencing from 1 January 2014, whereby the Parent agreed to supply, or procure its subsidiaries to supply limestone and clay for the Company and its subsidiaries, to ensure supply of mineral ore for the Company's production for clinker and other cement products. The Parent and its subsidiaries shall supply to the Company and its subsidiaries limestone and clay from its quarries at the following basis of pricing:

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

(b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not less favorable than those sold by independent third parties to the Company or sold by the Parent to independent third parties.

For the year ended 31 December 2016, the Group's expenditure for ore supplied by the Parent Group was RMB3.5 million.

As the Master Purchase of Mineral Agreement expired on 31 December 2016, the Company entered into a new Master Purchase of Mineral Agreement with the Parent on 18 January 2017 for a term of three years commencing on 1 January 2017. Details of the new Master Purchase of Mineral Agreement are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

2. Master Mutual Provision of Products and Services Agreement

On 27 December 2013, the Company entered into a Master Mutual Provision of Products and Services Agreement with the Parent for a term of three years commencing from 1 January 2014, pursuant to which:

(a) the Parent agreed to provide, or procure its subsidiaries to provide, the following products and services to the Company and its subsidiaries:

- Production supplies: raw materials and commodities (including grinding aid, spare parts, refractory materials); and
- Services: equipment repair, design and installation, property management services; technology services and other services;

(b) the Company agreed to provide, or procure its subsidiaries to provide the following production supplies and support services to the Parent and its subsidiaries:

- Product supplies: raw materials and commodities (including clinker, cement, lightweight building materials); and
- Services: supply of water, electricity and steam.

The provision of production supplies and support services pursuant to the Master Mutual Provision of Products and Services Agreement shall be provided at:

(a) the prices prescribed by the price control authorities of the PRC;

(b) if no prices are prescribed by the price control authorities, the guided prices issued by the relevant PRC authorities;

(c) if no prices are prescribed by the price control authorities and no guided prices are issued by the relevant PRC authorities, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets;

(d) if none of the prices mentioned above is applicable, the prices will be deemed to be the reasonable costs incurred in providing the same products and services plus a profit margin of not more than 5% over such costs.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

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

The prices for water, electricity and steam are currently prescribed by the government.

For the year ended 31 December 2016, the Group's expenditure for the products and services provided by the Parent Group was RMB473.5 million.

For the year ended 31 December 2016, the Group's revenue from the product supplies and services provided to the Parent Group was RMB1,395.8 million.

As the Master Mutual Provision of Products and Services Agreement expired on 31 December 2016, the Company entered into a new Master Mutual Provision of Products and Services Agreement with the Parent on 18 January 2017 for a term of three years commencing on 1 January 2017. Details of the new Master Mutual Provision of Products and Services Agreement are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

3. Master Purchase of Equipment Agreement

On 27 December 2013, the Company entered into a Master Purchase of Equipment Agreement with the Parent for a term of three years commencing from 1 January 2014, whereby the Parent agreed to supply, or procure its subsidiaries to supply, roller presses, waste heat generators and other auxiliary facilities to the Company and its subsidiaries in order to satisfy the operational needs of the Company and its subsidiaries. The Parent and its subsidiaries shall supply to the Company and its subsidiaries equipment at the following basis of pricing:

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

(b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not less favourable than those sold by independent third parties to the Company or sold by the Parent to independent third parties.

For the year ended 31 December 2016, the Group's expenditure for equipment supplied by the Parent Group was RMB34.2 million.

As the Master Purchase of Equipment Agreement expired on 31 December 2016, the Company entered into a new Master Purchase of Equipment Agreement with the Parent on 18 January 2017 for a term of three years commencing on 1 January 2017. Details of the new Master Purchase of Equipment Agreement are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

4. Master Provision of Engineering Services Agreement

On 27 December 2013, the Company entered into a Master Provision of Engineering Services Agreement with the Parent, for a term of three years commencing from 1 January 2014, whereby the Company agreed to supply, or procure its subsidiaries to supply engineering design, construction and supervisory and other services to the Parent and its subsidiaries. The Company and its subsidiaries shall supply to the Parent and its subsidiaries engineering services at the following basis of pricing:

(a) the relevant guided prices issued by the PRC government (i.e. the price falls within the range as permitted by applicable laws and regulations of the PRC and agreed between both parties);

(b) if no guided prices are issued by the PRC government, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets;

(c) if no guided prices are issued by the PRC government and there is no market price, the price for equivalent project services based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not more favourable to the Parent Group than those offered by independent third parties to the Parent Group or offered by Group to independent third parties;

(d) if the contract is granted by way of tender, the price should be determined in accordance with the procedures of the regulatory authority for the tender in the place of the construction project.

For the year ended 31 December 2016, the Group's revenue for engineering services provided to the Parent Group was RMB1.2 million.

As the Master Provision of Engineering Services Agreementexpired on 31 December 2016, the Company entered into a new Master Provision of Engineering Services Agreement with the Parent on 18 January 2017 for a term of three years commencing on 1 January 2017. Details of the new Master Provision of Engineering Services Agreement are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

Transactions Between North Cement and Jingang Group

As Jingang Group holds a 21.25% equity interest in North Cement and North Cement is a subsidiary of the Company, therefore Jingang Group and its subsidiaries are connected persons of the Company pursuant to the Listing Rules.

CONNECTED TRANSACTIONS *(CONTINUED)*

Master Agreement on Sale of Products

On 27 December 2013, North Cement, a 70% held subsidiary of the Company, entered into the Master Agreement on Sale of Products covering the period from 1 January 2014 to 31 December 2016 with Jingang Group, pursuant to which North Cement and its subsidiaries agreed to sell certain products to Jingang Group and its subsidiaries. The products included ultra-fine powder/slag, clinker and cement. The prices of the products under the agreement would be determined based on the following priorities:

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

(b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not more favourable to Jingang Group than those offered by independent third parties to Jingang Group or offered by North Cement to independent third parties.

For the year ended 31 December 2016, the Group's revenue from the provision of products to Jingang Group and its subsidiaries (including ultra-fine powder/slag, clinker and cement) was approximately RMB7.9 million.

As the Master Agreement on Sale of Products expired on 31 December 2016, North Cement entered into a new Master Agreement on Sale of Products with Jingang Group on 18 January 2017 for a term of three years commencing on 1 January 2017. Details of the new Master Agreement on Sale of Products are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

Continuing transactions subsequently becoming connected

References are made to the announcements of the Company dated 25 January 2016, 22 August 2016, 18 January 2017, 22 February 2017, 27 February 2017 and 8 March 2017 in relation to the proposed reorganisation involving the Parent (being the controlling shareholder of the Company) and Sinoma Group Corporation. Upon completion of the transaction in March 2017, Sinoma Group Corporation has become a connected person of the Company by virtue of becoming a wholly-owned subsidiary of the Parent.Before Sinoma Group Corporation becomes a connected person of the Company, members of the Group have entered into agreements with members of the Sinoma Group Corporation in the ordinary and usual course of business, which are of a revenue nature. Pursuant to Rule 14A.60 of the Listing Rules, the agreements and the transactions contemplated thereunder will constitute continuing transactions which have subsequently become continuing connected transactions. Details of the relevant agreements are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently becoming connected *(Continued)*

The auditors of the Company have reviewed the continuing connected transactions of the Group, and reported to the Board that:

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

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

(3) nothing has come to their attention that causes them to believe that the transactions were not conducted in accordance with the terms of the agreement governing it; and

(4) nothing has come to their attention that causes them to believe that the values of continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps have exceeded their respective annual cap.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have reviewed these connected transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that the connected transactions have been conducted:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) Independent Third Parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS

For the year 2016 and up to the date of this report, the Company entered into the following partially-exempted connected 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.

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復》), 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.

Establishment of a joint venture

On 7 December 2016, South Graphite Co., Ltd. (南方石墨有限公司) ("South Graphite", a company 50% owned by CNBM Investment, a wholly-owned subsidiary of the Company) and CNBM United Investment Co., Ltd. (中建材聯合投資有限公司) ("CNBM United", a wholly-owned subsidiary of the Parent) entered into a cooperation agreement, pursuant to which the parties agreed to establish a joint venture in the PRC. The parties will contribute RMB500,000,000 in aggregate by way of injecting registered capital to the joint venture. South Graphite agreed to contribute RMB420,000,000, representing 84% of registered capital of the joint venture, and CNBM United agreed to contribute RMB80,000,000, representing 16% of registered capital of the joint venture.

Details of the establishment of the joint venture are set out in the announcement of the Company dated 7 December 2016. As at the date of this report, the transaction had been completed.

Transfer of state-owned land use rights

On 18 January 2017, China Triumph (a 91% directly-owned subsidiary of the Company) and Bengbu China Opto electronics Technology Co., Ltd. (蚌埠中光電科技有限公司) ("Bengbu COE", a 55% indirectly-owned subsidiary of the Parent) entered into a transfer contract of state-owned land use rights. Pursuant to the contract, China Triumph agreed to transfer the land use rights of the land to Bengbu COE at a consideration of RMB65.05 million.

Details of the transfer of state-owned land use rights are set out in the announcement of the Company dated 18 January 2017. As at the date of this report, the transaction had been completed.

PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS *(CONTINUED)*

Capital contribution to Zhongfu Shenying Carbon Fiber Company Limited (中復神鷹碳纖維有限責任公司) ("Zhongfu Shenying")

On 23 January 2017, China Composites (a 100% directly-held subsidiary of the Company), Lianyungang Yingyou Textile Machinery Group Co., Ltd. (連雲港鷹遊紡機集團有限公司), Jiangsu Aoshen Group Corporation Limited (江蘇奥神集團有限責任公司) and CNBM United (a 100% directly-held subsidiary of the Parent), being shareholders of Zhongfu Shenying (a company 27.12% indirectly held by the Company through China Composites), entered into the Capital Contribution Agreement (the "Capital Contribution Agreement"), pursuant to which, it has been agreed that parties tothe Capital Contribution Agreement shall make a capital contribution to Zhongfu Shenying in cash according to their respective shareholding on a pro rata basis. Upon completion of the capital contribution, the shareholding of China Compositesin Zhongfu Shenying will remain at 27.12% of the enlarged registered capital and the shareholding of CNBM United in Zhongfu Shenying will remain at 37.30% of the enlarged registered capital.

Details of the capital contribution to Zhongfu Shenying are set out in the announcement of the Company dated 23 January 2017. As at the date of this report, the transaction had yet to be completed.

Disposal of equity interest in CNBM (Tongcheng) New Energy Materials CompanyLimited (中國建材桐城新能源材料有限公司) ("Tongcheng NewEnergy") by China Triumph

On 7 February 2017, China Triumph (a 91% directly-owned subsidiary of the Company), Anhui Huaguang Photoelectric Materials Technology Group Co, Ltd.(安徽華光光電材料科技集團有限公司) ("Huaguang Group") and Bengbu Design & Research Institute for Glass Industry (蚌埠玻璃工業設計研究院) ("Bengbu Institute") entered into the Agreement for Asset Acquisition by Share Issuance with Luoyang Glass Company Limited (洛陽玻璃股份有限公司) ("Luoyang Glass", a subsidiary of the Parent, indirectly controlled by the Parent through Triumph Technology Group Company (凱盛科技集團公司) ("Triumph Group") as to 33.04%). Pursuant to the agreement, China Triumph, Huaguang Groupand Bengbu Institute have conditionally agreed to sell, and Luoyang Glass has conditionally agreed to purchase, an aggregate of 100% equity interest in Tongcheng New Energy. The consideration will be satisfied by the consideration shares to be issued by Luoyang Glass.

Details of the disposal of equity interest in Tongcheng New Energy by China Triumph were disclosed in the announcement of the Company dated 7 February 2017. As at the date of this report, the transaction had yet to be completed.

NON-COMPETITION AGREEMENT

As at the date of this report, the Parent confirmed that it has complied and will comply with the Non-Competition Agreement dated 28 February 2006 entered into with the Company. Pursuant to this agreement, the Parent has agreed not to, and to procure its subsidiaries (excluding the Group) not to compete with the Group in its core businesses.

None of the directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2016, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

Under the Articles of Association of the Company and the laws of the PRC, there are no provisions about pre-emptive rights that require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

AUDITORS

At the Board meeting held on 25 March 2016, pursuant to the authorisation granted at the 2015 AGM held on 27 May 2016 the Board determined to re-appoint Baker Tilly HK and Baker Tilly China as international and domestic auditors of the Company respectively, to hold office until the date of convening the 2016 annual general meeting. Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

DONATIONS

Donations for charitable or other purposes made by the Group during the Reporting Period amounted to RMB15,615,843.99.

ISSUE OF DEBENTURES

During the Reporting Period, the Company issued the following debentures in an aggregate principal amounts of RMB44.5 billion to expand its financing channels, meet capital requirements, optimise its debt structure, utilise the financing function of the debt market fully and reduce its financing cost.

During the Reporting Period, the Company completed issuance of one tranch of the perpetual medium-term debentures for cash in an aggregate principal amounts of RMB2 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance three tranches of medium-term debentures for cash in an aggregate principal amounts of RMB10 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of nine tranches of the super short-term commercial paper for cash in an aggregate principal amounts of RMB27.5 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of one tranch of corporate bonds for cash in an aggregate principal amount of RMB5 billion, par value of RMB100.

By order of the Board
Song Zhiping
Chairman of the Board

Beijing, the PRC
24 March 2017

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, save as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor was any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement dated 30 May 2010 by the Company reproducing the announcement of BNBM in respect of the gypsum board in the United States and the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third quarterly report, the 2015 annual report and the 2016 interim report of the Company setting out information on the subsequent development of the gypsum board litigation in the United States. The Company was notified by the Parent that an order was made by the Federal District Court of the Eastern District of Louisiana, the United States on 9 March 2016 (U.S. time) to dismiss the lawsuit filed by the plaintiff against the Parent.

The Company, BNBM and Taishan Gypsum have respectively engaged domestic and overseas lawyers to consider and assess the litigation strategies and defenses, as well as its impact on each of the parties above. At present, the economic loss of the Company and the impact on its profit for the current period(if any) that may result from the case cannot be accurately estimated. The Company will make further disclosure as and when necessary or appropriate based on the progress of the litigation.

II. MATERIAL TRANSACTIONS

Acquisition of equity interest in Taishan Gypsum through shareissuance of BNBM

Reference is made to the transaction in respect of acquisition of equity interest in Taishan Gypsum through share issuance of BNBM as set out in the section headed "Partially-exempted Connected Transactions". Upon completion of the transaction, equity interest held by the Company in BNBM would decrease 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.

Details of the acquisition of equity interest in Taishan Gypsum through share issuance of BNBM are set out in the section headed "Partially-exempted Connected Transactions", the announcement of the Company dated 13 October 2015 and the 2015 annual report of the Company. As at the date of this report, the transaction had been completed.

II. MATERIAL TRANSACTIONS *(CONTINUED)*

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 leased back 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.

Report of the Supervisory Committee

Dear shareholders,

During the Reporting Period, to carry out the duties as authorized under the Company Law and the Articles of Association of the Company so as to protect the interests of the Company and its shareholders, all members of the fourth session of the Supervisory Committee of the Company (the "Supervisory Committee"), had truthfully and responsibly carried out effective supervision over the operational management,financial position and information disclosures as well as the performance of duties by the Directors and senior management of the Company for the year.

During the Reporting Period, the Supervisory Committee held a total of three meetings and attended the majority of the Board meetings. The Supervisory Committee has reviewed the Supervisory Committee Working Report of the Company for 2015, the auditor's report and audited financial statements of the Group for 2015, the profit distribution plan and the final dividend distribution plan for 2015, the interim financial report and results announcements for 2016, the interim auditor's report and the audited financial statements for 2016, as well as the handling of interim dividends for 2016, election of the chairman of the fourth session of the Supervisory Committee and other matters. The committee inspected and reviewed the financial position of the Company and supervised the performance of duties of Directors and the senior management of the Company.

During the Reporting Period, through performing the supervisory role authorized by the Articles of Association,the Supervisory Committee is of the opinion that, the Board of the Company had complied with the requirements of the Company Law, the Articles of Association of the Company and other relevant rules, regulations and systems, reviewed the operation of the Company in an objective and reliable manner in order to make legitimate and sensible decisions. Directors and the senior management of the Company had conscientiously implemented the laws and regulations of the State, the Articles of Association, resolutions passed at shareholders' general meetings and Board meetings. They have also been dedicated to their duties with honesty, and always attached great importance to the benefit of the Company and the Shareholders. The Company carried out standard financial audits, operated proper financial strategies and put in place a sound internal control system, which was in line with the development status and expectations of the Company.

During the Reporting Period, the Supervisory Committee reviewed the information disclosure position of the Company regularly or from time to time. It is of the view that the Company had complied with relevant requirements of the Listing Rules and other regulations; it performed well in information disclosures by disclosing appropriate information in a timely manner and the disclosed contents are truthful, accurate, complete, and effective, without false statements, misleading representations or material omission.

During the Reporting Period, the Supervisory Committee reviewed the relevant financial information of the Company on a regular basis, reviewed the auditors' report on the Company and confirmed the compliance of the Company's accounting records and financial accounting with the Accounting Law of the People's Republic of China (《中華人民共和國會計法》), the accounting systems issued by the Ministry of Finance of the People's Republic of China and the Hong Kong Financial Reporting Standards, in respect of which no concern has been identified.

Having duly reviewed relevant information such as the 2016 financial report as audited and issued by the independent auditors with an unqualified opinion, the Supervisory Committee is of the opinion that the annual report reflects the financial condition and operating results of the Company on a consistent basis and in an accurate, true and fair manner.

In face of the critical economic landscape and pressure in the industry for 2016, the Supervisory Committee is satisfied with the Company's achievement in all respects and economic benefits gained from overcoming difficulties, and is confident in the Company's prospects in 2017 onwards.

In the new year, the Supervisory Committee will stay vigilant to the development of the Company, perform its supervisory duties by adhering to the principle of honesty and diligence, closely monitor the development of the Company and fully develop the advantages of supervision to continuously improve the management of the Company, as well as concretely safeguard and guarantee the legitimate interests of the Company and its shareholders, in compliance with relevant laws, regulations and the Articles of Association of the Company.

Wu Jiwei
Chairman of the Supervisory Committee

Beijing, the PRC
24 March 2017

DIRECTORS

Executive Directors

Mr. Song Zhiping, born in October 1956, is the chairman of the Board and an executive director of the Company. Mr. Song has over 35 years of experience in business and management in China's building material industry. He served as the chairman of the supervisory committee of South Cement from September 2007 to June 2016. He has served as the chairman of Parent since October 2005 and the chairman of the Board and executive director of the Company since March 2005. He served as the chairman of China United from March 2003 to February 2005 and the general manager of Parent from March 2002 to October 2005. He also served as the vice general manager and the vice general manager of general affairs of Parent from October 1995 to March 2002, respectively. From May 1997 to May 2002, Mr. Song served as the chairman of BNBM and the chairman of BNBMG since January 1996. Mr. Song served several positions in BNBMG (both prior to and after its conversion) from September 1987 to July 2002, including the deputy director and the director of the factory, the general manager and the secretary to the Party Committee. Mr. Song has served as an external director and the chairman of China National Pharmaceutical Group Corporation form May 2009 to April 2014. Mr. Song received a bachelor's degree in polymer from Hebei University in September 1979 and received an MBA degree from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1995 and a doctor's degree in management from Huazhong University of Science and Technology in May 2002. Mr. Song is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Song consecutively acts as the vice president of China Building Materials Industry Association (中國建築材料聯合會), the vice president of China Enterprise Confederation, the chairman of the board (主席團主席) of China Federation of Industrial Economics, the executive vice president of China's Listed Companies Association (中國上市公司協會), the president of the China Capital Entrepreneurs' Club (首都企業家俱樂部), a member of the China National MBA Education Supervisory Committee and the chairman of China Enterprise and Development Research Association (中國企業與發展研究會). Mr. Song was elected as the representative of the Eighteenth National Congress of Communist Party of China. Mr. Song received a number of awards and titles for his management and entrepreneurial skills, including National Model Worker (全國勞動模範), the Eighth Session of National Outstanding Entrepreneur "Golden Globe Awards" (第八屆全國優秀企業家金球獎), Management Elite Award (管理人物精英獎), one of the Top Ten Merger and Acquisition Businessmen in the PRC (中國十大併購人物), the Yuan Baohua Enterprise Management Gold Award (袁寶華企業管理金獎) and the China Enterprise Reform Medallion in the Thirty Years of Reform and Opening Up (改革開放30年中國企業改革紀念章), the People with Outstanding Contribution to Social Responsibility Undertakings (人民社會責任傑出貢獻人物), the Golden Bauhinia Awards "Most Influential Leader" (中國證券金紫荊獎最"具影響力領袖獎"), The People of the Year in Chinese Economy (中國經濟年度人物獎), China Economic Leaders Award (華人經濟領袖獎), the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果), the "25 Most Influential Corporate Leaders" (最具影響力的25位企業領袖) as well as The Businessman of China of the Year by Fortune Magazine (《財富》年度中國商人), etc..

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Mr. Cao Jianglin, born in September 1966, is the president and an executive director of the Company. Mr. Cao has nearly 25 years of experience in business and management in the building material industry. Mr. Cao has been a general manager of the Parent since April 2014, a director of China United and the chairman of the board of Southwest Cement from December 2011 to March 2016, the chairman of the supervisory committee of BNBM since September 2009, the chairman of North Cement since March 2009, the chairman of South Cement since September 2007, a director of Parent since October 2005, the chairman of the supervisory committee of BNBMG since August 2005, the chairman of the supervisory committee of China United from April 2005 to December 2011, the president and an executive director of the Company since March 2005. Mr. Cao was the chairman of BNBM from October 2004 to August 2009, the director of China Composites from September 2004 to March 2016, the director of China Triumph from September 2004 to April 2016, the chairman of China Jushi (formerly known as China Fiberglass) since June 2002 and the chairman of CNBM Investment (formerly known as BND Co., Limited) from March 2002 to August 2014. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group, including the general manager assistant, the vice general manager and the vice chairman of BNBMG, the general manager assistant and the vice general manager of Parent, the president of CNBM Investment and the general manager of China Jushi. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao is a researcher and was awarded a special grant of the government approved by the State Council. Mr. Cao was granted Model Worker of China Central Government Enterprises, Excellent Entrepreneur of the State and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果). He has been awarded the title of "The Best CEO" by Institutional Investor for five consecutive years.

Mr. Peng Shou, born in August 1960, is the vice president and an executive director of the Company. Mr. Peng has over 30 years of experience in business and management in the building material industry. He is an expert in inorganic materials research and development as well as engineering design and consulting. Mr. Peng has served as an executive director of the Company since June 2006, a vice president of the Company since March 2005, the chairman of China Triumph since September 2004 and the president of China Triumph since May 2002. He also served as the deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng received a bachelor's degree in engineering from Wuhan Institute of Building material industry (now Wuhan University of Technology) in December 1982 and a master's degree in management from Wuhan Polytechnic University (now Wuhan University of Technology) in June 2002. Mr. Peng is qualified as a professor level senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Peng concurrently acts as the executive member of International Commission on Glass, the director of State Key Laboratory of Float Glass New Technology (浮法玻璃新技術國家重點實驗室), the vice chairman of China Silicate Association (中國硅酸鹽學會), the deputy chairman of the China Building and Industrial Glass Committee and the vice president of China Building Material Federation. Mr. Peng was awarded National Model Worker (全國勞動模範), National May Day Labor Medal, State Technology Advancement (國家級科技進步獎), Guanghua Engineering Science and Technology Award of Chinese Academy of Engineering and Science and Technology Innovation Award of Ho Leung Ho Lee Foundation. As a National Engineering Survey and Design Master (國家級工程勘察設計大師), he is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程) and State Outstanding Technical Officer (全國優秀科技工作者).

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Mr. Cui Xingtai, born in November 1961, is the vice president and an executive director of the Company. Mr. Cui has over 30 years of business and management experience in building material industry. He has served as a director of Southwest Cement since December 2011, an executive director of the Company since August 2009, a director of South Cement since September 2007, the chairman of China United since April 2005, a vice president of the Company since March 2005 and the secretary of the Party Committee of China United since August 2004. Mr. Cui served as the vice chairman of China United from August 2004 to April 2005, the deputy chief engineer of the Parent from November 2003 to March 2005, and the deputy general manager of China United from April 2002 to August 2004, the chief engineer of China United from July 1999 to August 2004. From June 1997 to January 1999, Mr. Cui served as the head of Lunan Cement Factory. Mr. Cui received a bachelor's degree in engineering from Wuhan Institute of Building Material Industry (now Wuhan University of Technology) in July 1984 and obtained post graduate education in enterprise management from the Graduate School of the Chinese Academy of Social Sciences in July 1998. Further, he received an EMBA degree from Tsinghua University in January 2008. Mr. Cui is qualified as a professor-level senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Cui concurrently acts as the vice president and secretary general of China Cement Association. Mr. Cui was awarded the National Outstanding Entrepreneur of Building Material Industry (全國建築材料行業優秀企業家), the first prize of National Building Material Industry Corporate Management Modernizationand Innovation Achievements (國家級建材行業企業管理現代化創新成果), and the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

Mr. Chang Zhangli, born in December 1970, is the vice president, a secretary to the Board and an executive director of the Company. Mr. Chang has over 20 years' experience in handling listing-related matters for listed companies, has participated in all major matters relating to the global offering of the shares of the Company and listing of shares of the Company on the Stock Exchange. Mr. Chang has served as the chairman of Southwest Cement since March 2016 and he served as the acting president of Southwest Cement from January 2015 to March 2016. He has been a director of China Triumph since October 2012, a director of China United, China Composites and Southwest Cement. He was the vice chairman of the board of Southwest Cement from December 2011 to March 2016. He has served as an executive Director of the Company since November 2011 and a director of North Cement since March 2009, a director of BNBM since July 2008, a director of South Cement since September 2007, the vice president of the Company since August 2006, a director of China Jushi (formerly known as China Fiberglass) since July 2005, the secretary to the Board of the Company since March 2005 and a director of CNBM Investment (formerly known as BND Co., Limited) since December 2000. From June 2000 to March 2005, Mr. Chang assumed in a number of key positions in BNBM, including the secretary to the board and the deputy general manager. Mr. Chang is an engineer who received a bachelor's degree in engineering from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from Tsinghua University in July 2005. Currently, Mr. Chang concurrently serves as the vice president of China Cement Association and vice president of the Listed Companies Association of Beijing. Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

DIRECTORS *(CONTINUED)*

Non-executive Directors

Mr. Guo Chaomin, born in August 1957, is a non-executive director of the Company. Mr. Guo has over 35 years of experience in business and management in the building material industry of China. Mr. Guo has been the general manager of CNBM Assets Management Corporation since November 2016, the senior professional advisor of the Parent since September 2016, and a non-executive director of the Company since November 2011. He served as the general manager of China National United Equipment Group Corp. from October 2006 to March 2010, the general manager of Parent from September 2003 to August 2016, the general manager of investment and development department of Parent from April 2002 to August 2004,the general manager assistant of Parent from April 2002 to September 2003, the general manager of Zhongbei Glass Industrial Company (中北玻璃工業公司) from December 2002 to February 2004 and the deputy chief accountant of Parent from May 1998 to April 2002. During the period from March 1983 to May 1998, Mr. Guo served successively in several positions in the Parent including the deputy head, the head, the deputy manager and the manager of planning and finance department. Mr. Guo received a bachelor's degree in economics from Renmin University of China in March 1983 and an MBA degree from China Europe International Business School in May 1998. Mr. Guo is a senior economist.

Mr. Chen Yongxin, born in February 1971, has extensive experience in corporate management. Mr. Chen has served as non-executive director of China National Building Material Company Limited since May 2016, a director and general manager of China National Building Material Import and Export Company (中建材集團進出口公司) since January 2015, a director of CNBM Investment (中建材投資) (formerly known as BND Co., Limited) since August 2014, president of CNBM Investment from August 2014 to April 2016, chairman of CNBMIT Co., Ltd. (中建投商貿有限公司) since July 2009, general manager of CNBMIT Co., Ltd. (中建投商貿有限公司) from July 2009 to April 2015, vice president of CNBM Investment Company Limited (中建材投資有限公司) from April 2003 to August 2014, assistant to president of BND (北新物流) from February 2002 to April 2003,general manager of Integrated Product Department of BND (北新物流綜合產品事業部) from January 2001 to February 2002, manager of China National Building Material & Equipment Import and Export Zhujiang Corporation (中國建築材料及設備進出口珠江公司) from June 1997 to January 2001,business head of CATIC Shenzhen Company (中國航空技術進出口深圳公司) from December 1993 to June 1997, assistant to manager of Shenzhen Tenghua Industrial and Trading Co., Ltd. (深圳市騰華工貿有限公司) from March 1993 to November 1993 and head of Shenzhen Weishi Metal Electronic Factory (深圳市偉時五金電子廠) from August 1992 to February 1993. Mr. Chen received a bachelor's degree in Technology and Information Management from Beihang University in July 1992 and an MBA degree from Tongji University in December 1999. Mr. Chen is concurrently the vice chairman of China Building Materials Market Association and vice chairman of China Chamber of Commerce of Metals, Minerals & Chemicals Importers and Exporters. Mr. Chen was honored as an Outstanding Communist Party Member of the Work Committee of the Department under the CPC of Shenzhen and an Outstanding Communist Party Member of China National Building Materials Group Corporation.

DIRECTORS *(CONTINUED)*

Non-executive Directors *(Continued)*

Mr. Tao Zheng, born in February 1975, is a non-executive Director of the Company. Mr. Tao has nearly 20 years of experience in corporate operation and management as well as handling matters of listed companies, with participation in various major matters relating to capital operation, merger and acquisition as well as reorganisation. Mr. Tao has been serving as a non-executive Director of the Company since October 2014, a director, the general manager and deputy secretary of the party committee of BNBMG since July 2014. From August 2009 to July 2014, Mr. Tao acted as deputy general manager and secretary to the board of directors of China Jushi (formerly known as China Fiberglass). From February 2005 to August 2009, Mr. Tao assumed a few important posts in BNBM including assistant general manager, general manager of the procurement department, secretary to the board of directors and so forth. From February 2001 to February 2005, Mr. Tao held several positions such as assistant to president, general manager of the hardware business department and general manager of the general management department of CNBM Investment (formerly known as BND Co., Limited). Mr. Tao obtained a bachelor's degree of international trade from Nankai University in June 1997 and an MBA degree from Peking University in July 2009. Mr. Tao concurrently serves as the deputy chief secretary of the Listed Companies Association of Beijing, a member of Central Enterprises Youth Union, a director of China Youth Entrepreneurs Association and deputy director of the China Capital Entrepreneurs' Club (首都企業家俱樂部), the vice chairman of China Construction and Decoration Material Association (中國建築裝飾裝修材料協會) and standing director of China Enterprise Reform and Development Society (中國企業改革與發展研究會).

Independent non-executive Directors

Mr. Sun Yanjun, born in March 1970, is an independent non-executive Director of the Company. Mr. Sun has accumulated rich experience in private equity investment as well as mergers and acquisitions of overseas listing of Chinese companies. Mr. Sun has been serving as an independent non-executive Director of the Company since October 2014. He has served as a partner and managing director of TPG Capital since August 2011, mainly led TPG Capital investment business in Greater China. From June 2006 to May 2011, he served as managing director of direct investment of Goldman Sachs, was responsible for private equity investment business of Goldman Sachs in China. From July 2004 to May 2006, he served as the vice president of Morgan Stanley's Hong Kong office, participated in a number of overseas IPO and M&A projects of China Company. Mr. Sun received a bachelor's degree in International Finance from Renmin University of China in July 1992 and an MBA degree from the University of Michigan in May 1997. Mr. Sun currently serves as a non-executive director of Phoenix Satellite Television Holdings Limited and Xin Yuan (China) Properties Co., Ltd. (鑫苑（中國）置業有限公司).

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(Continued)*

Mr. Liu Jianwen, born in May 1959, is an independent non-executive Director of the Company. Mr. Liu has rich research experience in the fields of fiscal and tax law, economic law and intellectual property law. Mr. Liu has been serving as an independent non-executive Director of the Company since May 2016. He served as an independent supervisor of the Company from October 2014 to May 2016. He has been serving a professor and doctoral tutor of the Law School of Peking University since July 1999. From January 1997 to October 1997, Mr. Liu used to hold the position of deputy dean in the Law School of Wuhan University. Mr. Liu used to be a professor and doctoral tutor of the Law School of Wuhan University from May 1995 to December 1999 and a lecturer and deputy professor of the Law School of Wuhan University from July 1986 to April 1995. Mr. Liu obtained a bachelor's degree in Economics in Anhui University of Finance in June 1983, a master's degree in law in China University of Political Science and Law in June 1986 and a doctorate degree in law in Wuhan University in June 1997 and completed his postdoctoral program in law from Peking University in June 1999. Mr. Liu is currently an independent director of Datang Gohigh Data Network Technology Co., Ltd. (大唐高鴻數據網路技術股份有限公司) and Jiangsu Nantong Fujitsu Microelectronics Co., Ltd (江蘇南通富士通微電子股份有限公司). Mr. Liu used to serve as an independent director of Zhejiang Hai Liang Co., Ltd. (浙江海亮股份有限公司) and Integrated Electronic Systems Lab Co., Ltd. (積成電子股份有限公司). Mr. Liu concurrently holds the position of chairman of China Association for Fiscal and Tax Law, executive director of China Law Society and arbitrator of China International Economic and Trade Arbitration Commission. Mr. Liu received various awards, including the third prize of An-zijie International Trade Outstanding Works, the first prize of Outstanding Research on Philosophy and Social Science in Beijing and the second prize of the National Outstanding High School of Research on Philosophy and Social Science.

Mr. Zhou Fangsheng, born in December 1949, is an independent non-executive Director of the Company. Mr. Zhou has rich experience in corporate management. He has served as an independent non-executive Director of the Company since May 2016. He served as Vice Counsel of the Enterprise Reform Bureau of the State-owned Assets Supervision and Administration Commission of the State Council from July 2003 to December 2009, director of State-owned Assets Administration Research Section of Research Institute for Fiscal Science of Ministry of Finance from September 2001 to July 2003, deputy director of Difficulty Relief Working Office for Stated-owned Enterprises of the State Economic and Trade Commission from December 1997 to September 2001, deputy director of the Stated-owned Assets Administration Research Institute from July 1995 to December 1997, deputy division director and division director in the State-owned Assets Administration Bureau from December 1991 to July 1995 and deputy division director of China National Heavy Duty Truck Group Co., Ltd. from August 1986 to December 1991. Mr. Zhou graduated from Specialised Cadre Development Department of Hunan University majoring in engineering management in July 1985 and completed post graduate course from the Renmin University of China in Enterprise Management in July 1995. Currently, Mr. Zhou serves as independent supervisor of Sinotrans Limited, independent director of Beijing BDStar Navigation Co., Ltd., independent non-executive director of Hengan International Group Company Limited and independent director of Hainan Wensheng High-Tech Materials Co., Ltd.

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(Continued)*

Mr. Qian Fengsheng, born in October 1964, is an independent non-executive Director of the Company. Mr. Qian has extensive research experience in accounting and economics. He has been an independent non-executive Director of the Company since May 2015. He served as the head of the accounting department of Zhejiang College of Shanghai University of Finance and Economics from May 2011 to March 2016, and the head of the MPAcc Center of Shanghai University of Finance and Economics from May 2004 to May 2012. He has been serving as an assistant professor and a tutor of the School of Accountancy of Shanghai University of Finance and Economics since July 1986. In July 1986, Mr. Qian obtained a bachelor's degree in accounting and economics from Shanghai University of Finance and Economics and in June 1992, he obtained a master's degree in accounting and economics there from. In July 1999, he obtained a doctoral degree in accounting from Shanghai University of Finance and Economics. Currently, Mr. Qian concurrently serves as an independent director of Shanghai Hanbell Precise Machinery Co., Ltd., Jonjee Hi-Tech Industrial & Commercial Holding Co., Ltd. and Shanghai Tofflon Science and Technology Co., Ltd., an independent director of Northeast Electric Development Co.,Ltd. and a member of the first session of Advisory Committee of China Accounting Standards Committee of the Ministry of Finance.

Ms. Xia Xue, born in January 1968, is an independent non-executive Director of the Company. Ms. Xia possesses extensive research experience in the regulation of securities market, governance of listed companies, legal system for securities and other fields. She has been serving as an independent non-executive Director of the Company since May 2016 and the vice president of Shanghai Shipping Freight Exchange Co., Ltd. since January 2012. From June 1997 to December 2011, she was the executive manager of Shanghai Stock Exchange. Between August 1996 and March 1997, she was the human resources manager of China Europe International Business School and was a lawyer and a partner of Shanghai Second Legal Firm (上海市第二律師事務所) from September 1990 to July 1996. Ms. Xia obtained the bachelor's degree in economic law from East China University of Political Science and Law in July 1990, a master's degree in Business Administration from Tongji University in July 1998 and a doctoral degree in law from East China University of Political Science and Law in July 2010. At present, Ms. Xia concurrently serves as an independent director of Shanghai Jin Jiang International Industrial Investment Company Limited, a special member of the Hongkou CPPCC of Shanghai, an arbitrator of the Shanghai Arbitration Commission, an external director of Hongkou Commercial Group (虹口商業集團) and the external supervisor of Shanghai Shipping Industrial Fund Management Co., Ltd.

SUPERVISORS

Mr. Wu Jiwei, born in February 1971, currently serves as the chairman of the Supervisory Committee of the Company. He has accumulated nearly 20 years of experience in financial management. Mr. Wu has served as the chairman of the Supervisory Committee of the Company since November 2011, the chief accountant of Parent since April 2011, the director of financial management centre of China Chengtong Holdings Group Limited from December 2008 to April 2011, the deputy chief accountant of Engineering Technology Branch Company (工程技術分公司) of China National Petroleum Corporation from April 2008 to December 2008, the general manager assistant of China National Petroleum Corporation (the "CNPC") Services and Engineering Ltd. as well as the chief accountant of China National Logging Corporation from April 2005 to April 2008. Mr. Wu served a number of positions for the finance department of CNPC Services and Engineering Ltd from February 2001 to April 2005, such as the deputy manager of financial assets department and the manager of finance department. From September 1999 to February 2001, he worked as an accountant of fiscal budget division of financial assets department (財務資產部資金預算處) of China National Petroleum Corporation. He obtained a bachelor's degree in financial accounting from Xi'an Petroleum College in July 1994 and received his master's degree in management from Central University of Finance and Economics in March 2001. Mr. Wu is a senior accountant. Mr. Wu currently serves as executive directors of China International Taxation Research Institute (中國國際稅收研究會) and China Association of Chief Financial Officers (中國總會計師協會).

Ms. Zhou Guoping, born in February 1960, is a Supervisor of the Company. Ms. Zhou has over 30 years' experience in financial management. Ms. Zhou served as the general counsel of the Parent from January 2015 to November 2016, and has been the chief economist of Parent since December 2009. Ms. Zhou served as a supervisor of South Cement from September 2007 to June 2016, and has been a supervisor of the Company since March 2005, assistant to the general manager of the Parent from October 2003 to December 2009 and the general manager of the finance department of the Parent from October 2003 to December 2006 and the chief financial officer of Zhongxin Group Financial Company from July 2000 to April 2003. From March 1992 to October 2003, Ms. Zhou served successively as the deputy head of the Planning Division in the Integrated Planning Department, assistant to the manager of the Integrated Planning Department, assistant to the manager of Planning and Finance Department, and deputy manager and manager of the Planning and Finance Division and deputy manager of the financial management division of Parent. Ms. Zhou received a bachelor's degree in engineering from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in July 1982 and an EMBA degree from Xiamen University in December 2006. Ms. Zhou is qualified as a professor-grade senior engineer.

SUPERVISORS *(CONTINUED)*

Mr. Wu Weiku, born in March 1961, is an independent supervisor of the Company. Mr. Wu has extensive research experience in strategic management, corporation's leadership. Since October 2014, Mr. Wu has been serving as an independent supervisor of the Company, and a professor and doctoral supervisor in the Leadership and Organizational Management Department of the School of Economics and Management of Tsinghua University since December 2008. He used to be a visiting professor of The Hong Kong University of Science and Technology, Harvard Business School and The Wharton School of the University of Pennsylvania in September 2001, August 2001 and from September 1998 to February 1999 respectively. From April 1994 to November 2008, he successively served as a lecturer and deputy professor of Tsinghua University School of Economics and Management. Mr. Wu received a bachelor's degree in machinery manufacturing from Northeastern University in 1983, and a master's degree in mechanical engineering from Harbin Institute of Technology in 1987. He then received a Doctorate degree in mechanics from Tsinghua University in 1994. Mr. Wu did research in Harvard Business School and Hang Lung Management Research Center of Hong Kong University of Science and Technology in July 2001, and he is the author of five monographs including "Happy Attitude" and "Leadership". Mr. Wu is concurrently members of American Management Association and International Association for Chinese Management Research. Mr. Wu has been awarded the "Excellent Tutors of Executive Development Program (EDP)" by Tsinghua University School of Economics and Management for consecutive years. He was awarded "The Best Selling Books" by The Society of Publishers in Asia and was honored as "The Most Influential Authors" by the China Machine Press for its 60th's anniversary

SUPERVISORS *(CONTINUED)*

Mr. Li Xuan, born in March 1968, is an independent Supervisor of the Company. Mr. Li possesses extensive experience in the field of law. Mr. Li has been an independent Supervisor of the Company since May 2016, and the head and assistant professor of the Juris Master Education Center of Central University of Finance and Economics since November 2015. From June 2010 to November 2015, he served as the head and assistant professor of the Office of Legal Affairs of Central University of Finance and Economics. Between November 2003 and May 2010, he served as the assistant professor and deputy dean of the School of Law of Central University of Finance and Economics. From May 2000 to November 2003, he was the deputy head and assistant professor of the School of Law of Central University of Finance and Economics. Between March 1997 and April 2000, he served as a lecturer and an assistant to the head of the School of Law of Central University of Finance and Economics, and from May 1995 to February 1997, he was an assistant tutor and lecturer of the School of Law of Central University of Finance and Economics. From September 1994 to April 1995, he served as a deputy section officer of the Beijing Municipal Bureau of Justice. Mr. Li obtained the bachelor's degree in law from the Peking University Law School in July 1991, the master's degree in procedure law from the Peking University Law School in July 1994 and the doctoral degree in procedure law from the School of Civil, Commercial and Economic Law of China University of Political Science and Law in July 2011. Mr. Li possesses strengths in Company Law, Procedure Law, Arbitration Law and other laws as well as in handling cases of enormous difficulties in practice. He is the author of The Destiny of Contemporary Lawyers in China and other publications and the chief editor of the first to the third chapters of Commenting Financial Law and Reflection And Restructuring – Further Amendments to Civil Procedure Law From A Lawyer's Perspective. From 2007 to 2010, he took part in the entire process of the drafting and discussion of the Provisions on Case Guidance for the Supreme People's Court and proposed amendments to Civil Procedure Law for the 2012 NPCSC. As appointed by All China Lawyers Association, he successively drafted the Suggestions for Further Amendments to the Civil Procedure Law by Legal Practitioners and Further Suggestions for Further Amendments to the Civil Procedure Law by Legal Practitioners. Mr. Li successfully organized the four sessions of Chinese Financial Law Forum and major seminars for theory and practice. Mr. Li is an incumbent independent director of BOE Technology Group Co., Ltd., an incumbent independent director of China Minzu Securities Company Limited and concurrently serves as an acting director of Legal Practitioner Law Research Committee of China Law Society, an arbitrator of the Harbin Arbitration Commission, deputy head of the Public Policy Research Center of China University of Political Science and Law, a director of the Civil Procedure Law Research Committee of China Law Society, a member of the Committee of Central Social Legal System of China Democratic League, a member and deputy head of the Legal System Committee of Beijing of China Democratic League and an acting director of and the chief secretary to the Case Law Research Committee of China Law Society, a member of and the chief secretary to the Constitution and Human Rights Committee of All China Lawyers Association. He also served as an independent director of Beijing Dabeinong Co., Ltd. Mr. Li was honored as an Outstanding Tutor of the Central University of Finance and Economics, Outstanding Education Worker, Role Model of the Teachers' Code of Morality of Beijing, Outstanding Clinical Teacher and other recognitions.

SUPERVISORS *(CONTINUED)*

Ms. Cui Shuhong, born in March 1968, is currently a staff representative Supervisor and the general manager of the Administration and Human Resources Department of the Company. Ms. Cui has nearly 25 years' experience in management positions. Ms. Cui has been the head of the Party-Masses Relationship Department of the Company since April 2016, the temporary Secretary of Commission for Discipline Inspection of the Company since December 2015, the chairman of the supervisory committee of China Triumph since October 2012, a staff supervisor since May 2005 and the general manager of the Administration and Human Resources Department of the Company since April 2005. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990 and a degree in EMBA from Tsinghua University in January 2014. She is a researcher.

Ms. Zeng Xuan, born in June 1982, is currently a staff representative supervisor. Ms. Zeng has been serving as a staff representative supervisor of the Company since March 2016, and a deputy general manager of the Board secretariat of the Company since March 2013. From September 2009 to March 2013, she served as a deputy general manager, an acting general manager and a general manager of BNBM PNG LIMITED. From May 2005 to August 2009, she served as an employee of administration and human resources department of the Company. From September 2004 to May 2005, she worked as an employee of the general manager's office of Beijing New Building Material (Group) Co., Ltd. From July 2004 to September 2004, she worked as a clerk of the import and export department of Beijing New Building Material (Group) Co., Ltd. Ms. Zeng received her bachelor's degree in Business English from the University of Hunan in June 2004. She is an assistant economist.

SENIOR MANAGEMENT

Mr. Cao Jianglin is the president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Mr. Peng Shou is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Mr. Cui Xingtai is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Mr. Chang Zhangli is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Zhang Dingjin, born in November 1957, is a vice president of the Company. Mr. Zhang has over 30 years of experience in business and management in the building materials industry. He has served as the vice president of the Company since March 2005, the chairman of China Composites since September 2004 and the general manager of China Composites since January 2003. He also served as the general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from March 2002 to January 2003, the deputy general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from January 2001 to March 2002 and the general manager of Beijing Pennvasia Glass Company Limited from August 1999 to September 2001. From February 1997 to August 1999, Mr. Zhang served as the deputy dean of Shandong Industrial Ceramics Research and Design Institute. Mr. Zhang received a bachelor's degree in engineering from Anshan Institute of Iron and Steel in August 1982 and an EMBA degree from Xiamen University in June 2005. He is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Li consecutively acts as the vice president of China Composites Industry Association (中國複合材料工業協會).

Mr. Chen Xuean, born in April 1964, is a vice president and chief financial officer of the Company. Mr. Chen has nearly 25 years' experience in financial management. Mr. Chen has served as the chairman of the supervisory committee of South Cement since June 2016, the chairman of the supervisory committee of Southwest Cement since April 2016, the chairman of board of supervisors of China Jushi (formerly known as China Fiberglass) since October 2014, a director of BNBM since September 2012, a director of China Composites since December 2011, the vice president of the Company since November 2011, the chairman of the supervisory committee of North Cement since March 2009, a director of CNBM Investment (formerly known as BND Co., Limited) since August 2008, a director of South Cement from September 2007 to June 2016, a director of China United since October 2006, a supervisor of China Jushi from July 2005 to October 2014, and the chief financial officer of the Company since March 2005. From April 1995 to March 2005, Mr. Chen served as the deputy head of finance department of general office of SASAC, the deputy head of Assets Inspection and Verification Department, the head of the Monitoring Department and the head of the Central Department of State-owned Assets Statistics and Evaluation Division of the Ministry of Finance. Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1986 and a master's degree in management from Beijing Institute of Technology in November 1999. He is a researcher and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Xiao Jiaxiang, born in September 1963, is a vice president of the Company. Mr. Xiao has rich experience and achievements in business management, regional economic and social development, group management (especially in group strategy management and group control), as well as financing and cooperation in international capital market. He served as a director of Southwest Cement from December 2011 to March 2016, the president of South Cement since June 2009, the deputy secretary to the Party Committee of South Cement since April 2009, a vice president of the Company and a director of South Cement since February 2009. From February 2006 to December 2008, he served as the president of Tianrui Corporation, and concurrent chairman and general manager of Tianrui Group Cement Co., Ltd. From March 2004 to December 2005, he served as a secretary of Party Committee in Daye City, Hubei Province and a director of the Standing Committee of People's Congress of Daye City. From November 2001 to March 2004, he served as deputy party secretary and mayor of Daye City, Hubei Province. From April 1997 to November 2001, he served as a director, the general manager assistant, the vice general manager and Standing Party Committee member in Huaxin Cement (Group) Co., Ltd.. From July 1991 to April 1997, he served as the head in the lime mine of Hubei Huaxin Cement (Group) Co., Ltd.. From July 1982 to July 1991, Mr. Xiao served as an engineer, the head of the mine workshop of Guizhou Shuicheng Cement Plant. Mr. Xiao received a bachelor's degree in mining engineering of the non-metallic department from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in August 1982, an MBA degree from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1997 and a doctor's degree in management from Huazhong University of Science and Technology in July 2004. He is a professor-grade senior engineer. At present Mr. Xiao consecutively acts as the vice chairman of China Cement Association. He was honoured as a National Outstanding Entrepreneur, a National Building Materials Industry Outstanding Entrepreneur, a National Outstanding Scientific Worker and the National Advanced Individual in Quality Management, and was granted honours including National Frontier Excellence Awards (全國邊陲優秀兒女獎章) and the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Wang Bing, born in February 1972, is a vice president of the Company. Mr. Wang has accumulated nearly 20 years of experience in business and management in building materials industry. He has been the secretary to the Party Committee of BNBM since July 2014, a vice president of the Company and the chairman of BNBM since August 2009. From February 2004 to August 2009, he served as the general manager of BNBM. Mr. Wang served as a general manager assistant and the deputy general manager of China Chemical Building Material Company Limited (中國化學建材股份有限公司, currently known as China Jushi) from October 2002 to February 2004, the general manager of Chengdu Southwest Beijing New Building Material Company Limited (成都西南北新建材有限公司) from July 1998 to September 2002, and the regional manager of BNBMG from July 1994 to July 1998. Mr. Wang received a bachelor's degree in industry and electricity automation from the Automation Department of Wuhan Polytechnic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from China Europe International Business School in September 2005. Mr. Wang obtained a doctor's degree in management science and engineering from Wuhan University of Technology in June 2012. Mr. Wang is a professor-grade senior engineer. At present Mr. Wang consecutively acts as a member of the standing committee and the secretary of economic sector of China Youth Federation, a member of the standing committee and the vice secretary of State-owned Enterprise Youth Federation (中央企業青聯), the director of the China Capital Entrepreneurs' Club (企業家俱樂部), the vice chairman of China Real Estate Association (中國房地產業協會) and the director of the Housing Facilities Committee, the vice chairman of China Insulation and Energy Efficiency Materials Association (中國絕熱節能材料協會) and the first vice chairman of China Construction and Decoration Material Association (中國建築裝飾裝修材料協會) and the executive vice chairman of Gypsum Building Material Branch of China Building Materials Federation. Mr. Wang was granted many awards, including the first prize of National Corporate Management Modernization and Innovation Achievement (國家級企業管理現代化創新成果), Beijing Outstanding Entrepreneur (北京市優秀企業家), Beijing Model Worker (北京市勞動模範), Beijing Youth May Fourth Medal (北京五四青年獎章), Central Enterprise Youth May Fourth Medal (中央企業五四青年獎章), National Building Materials Industry Outstanding Entrepreneur (全國建材行業優秀企業家), and the National Building Material and Decoration Industry Outstanding Entrepreneur (全國建築材料裝飾行業優秀企業家).

Mr. Cai Guobin, born in August 1967, is a vice president of the Company. Mr. Cai has nearly 25 years of experience in building material industry. Mr. Cai has been a director of North Cement Company Limited since April 2016, a director of China Composites since March 2016, the chairman of the board of supervisors of China United since July 2015, the chairman of CNBM Investment (formerly known as BND Co., Limited) since August 2014, a director of Southwest Cement since December 2011 and the vice chairman of China Jushi (formerly known as China Fiberglass) since October 2009, a vice president of the Company since August 2009 and a director of South Cement since September 2007. From May 2006 to October 2009, he served as the director and vice general manager of China Fiberglass. He has been the president of CNBM Investment from April 2004 to August 2014 and a director of CNBM Investment since March 2003. From July 2005 to May 2006, he served as a supervisor of China Fiberglass. From December 2000 to April 2004, he served as vice president of CNBM Investment. From November 1999 to January 2001, he served as a general manager assistant of China National Building Material& Equipment Import and Export Company Zhujiang Branch. From June 1998 to November 1999, he served as adeputy manager in the planning and financial department of China National Building Material & Equipment Import and Export Company Zhujiang Branch. Mr. Cai is an accountant who received a bachelor's degree in economics(normal major) from Shanghai University of Finance and Economics in July 1990 and an EMBA degree from Tsinghua University in January 2012. He was honoured as Outstanding Party Member of Shenzhen, Outstanding Entrepreneur of Building Materials Industry (建材行業優秀企業家), the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果) and listed in Elites' Register of Building Materials Industry in 2008 (建材行業精英錄).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Zhang Jindong, born in January 1964, is the vice president of the Company. Mr. Zhang has nearly 30 years of experience in business and management experience in the construction material industry. Mr. Zhang has been a director of China Triumph since April 2016, the general manager of technology department of the Company since November 2015, the vice president of the Company since August 2014, a director of China United from April 2005 to July 2014, a general manager and deputy secretary of the party of China United from August 2004 to July 2014, a general manager of Shangdong Lunan Cement Co., Ltd. from March 2000 to July 2004, a deputy general manager of Shangdong Lunan Cement Co., Ltd. from February 1999 to February 2000 and a director and deputy chief senior engineer of Lunan Cement Factory from July 1985 to January 1999. Mr. Zhang obtained the Bachelor's degree in Automotives from Shandong Institute of Building Materials in June 1985 and a Master's degree in Business Administration from Xiamen University in June 2005. He is a senior engineer.

Ms. Pei Hongyan, born in December 1973, is the chief accountant and certified public accountant of the Company. She has nearly 20 years of experience in accounting. Ms. Pei has been a supervisor of South Cement since June 2016, the chief accountant of the Company, chairman of the supervisory committee of China Composites and a director China United since March 2016, a director of BNBM since October 2014, a director of China Jushi (formerly known as China Fiberglass) since April 2011, a supervisor of North Cement since August 2010, a qualified accountant of the Company since June 2005 and the general manager of the finance department of the Company since April 2005. She served as a senior accountant in the finance division of Parent from November 2003 to April 2005 and a general manager assistant of the finance division of Parent from November 2002 to April 2005. She also served as a director of Kunming Cement Inc. from March 2002 to December 2004 and the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a bachelor's degree in economics from Dongbei University of Finance and Economics in July 1996 and a master's degree in management from Dongbei University of Finance and Economics in March 1999. She is a fellow member of the Association of Chartered Certified Accountants and also a non-practising member of the Chinese Institute of Certified Public Accountants. She was awarded the first prize of National Corporate Management Modernization and Innovation Achievements in National Building Materials Industry (國家級建材行業企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Zhang Dongzhuang, born in December 1963, is the vice president of the Company. Mr. Zhang has more than 30 years of experience in management. Mr. Zhang has been a vice president of the Company since March 2016, the chairman of China Building Materials Market Association since April 2016, and the chairman of Guojian Lianmeng Media Investment (Beijing) Company Limited (國建聯盟傳媒投資（北京）有限公司) since April 2015. He served as the head of China National Building Materials Exhibition & Trade Centre (國家建築材料展貿中心) from January 2014 to August 2016, and has been the vice chairman of China Building Materials Federation (中國建築材料聯合會) since November 2013 and the chairman of China Building Materials Enterprise Management Association (中國建築材料企業管理協會) since August 2012. Mr. Zhang served as the secretary general of China Building Materials Enterprise Management Association from November 2010 to November 2013, the vice chairman of the council of the China Building Material Machinery Association (中國建材機械工業協會) from December 2008 to June 2013, the chairman assistant of the China Building Materials Enterprise Management Association from August 2007 to October 2010, and the head and Party Branch secretary of Quality Certification Management Center of China Building Material Industry Association (建材工業質量認證管理中心) from July 2005 to October 2010. He served as the chairman of the board of directors of Guojian Lianxin Certification Centre from October 2003 to October 2010,the deputy head and Party Branch secretary of the Quality Certification Management Center of China Building Material Industry Association from June 2000 to June 2005, the deputy head of Quality Certification Management Center of China Building Material Industry Association from January 1999 to May 2000, the deputy dean of Qinhuangdao Glass Industry Research & Design Institute from April 1997 to December 1998, the section chief and deputy head of the comprehensive planning division of the State Bureau of Building Materials Industry (國家建材局綜合計劃司) from March 1990 to March 1997, the section chief of (中國建材工程諮詢公司) from May 1988 to February 1990, the leader of the investment and management division of the State Bureau of Building Materials Industry (國家建築材料工業局投資管理司) from August 1985 to April 1988. Mr. Zhang holds a bachelor degree in engineering in industrial electric automation from Harbin University of Civil Engineering and Architecture (哈爾濱建築大學) in July 1985, obtained the MBA degree from Wuhan University of Technology (武漢理工大學) in June 2012 and is a senior engineer. Mr. Zhang was won the third prize in "China Standard Innovation Award" (中國標準創新貢獻獎) granted by AQSIQ and Standardization Administration Commission of the PRC (國家標準化管理委員) and the third prize of "AQSIQ Xingjian Award" (國家質檢總局科技興檢獎) granted by AQSIQ.

CERTIFIED PUBLIC ACCOUNTANTS

Ms. Pei Hongyan, is the certified public accountant of the Company. For her biography, please refer to the section of "Senior Management".

JOINT COMPANY SECRETARIES

Mr. Chang Zhangli is the joint company secretary of the Company. Please refer to the section headed "Executive Directors" for the biographical details.

Ms. Lo Yee Har Susan, born in November 1958, is the joint company secretary of the Company. Ms. Lo is an executive director of Corporate Services Department of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Lo has over 20 years of experience in the company secretarial area. She has served in a number of companies listed on the Stock Exchange. She is currently the joint company secretary of several companies listed on the Stock Exchange.

CONFIRMATION OF THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation letter issued by each of the independent non-executive directors in respect of their independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

Independent Auditor's Report

BAKER TILLY
HONG KONG | 天職香港

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

OPINION

We have audited the consolidated financial statements of China National Building Material Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 127 to 263, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA for Accountant's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of property, plant and equipment

Refer to Note 15 to the consolidated financial statements

Key audit matter

The Group has property, plant and equipment with aggregate carrying values of RMB129,088.09 million as at 31 December 2016. Management has performed an impairment review on the property, plant and equipment with reference to a review of the business, the outlook for the industry and the Group's operating plans. An impairment provision of RMB203.75 million has been recorded to reduce the carrying values of certain property, plant and equipment to their estimated recoverable values, which is the higher of fair value less costs of disposal and value in use. For the remaining property, plant and equipment which management concluded that the recoverable amount was higher than their carrying values, no impairment provision was required. These conclusions are dependent upon significant management judgements, including assessments of estimated utilisation of the assets, disposal values and discount rates applied to future cash flows.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's impairment assessment of property, plant and equipment included:

– assessing the methodologies used by the management to estimate value in use;

– checking on a sample basis the accuracy and relevance of the data used by management to estimate values in use;

– assessing management's key assumptions used to estimate values in use based on our understanding of the industry of the cement and concrete manufacturing;

– considering the potential impact of reasonably possible downside-changes in these key assumptions; and

– assessing the fair value less costs of disposal.

We found management's assumptions in relation to the fair value less costs of disposal and value in use calculations to be reasonable. We found the disclosures in Note 15 to be appropriate.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of goodwill

Refer to Note 18 to the consolidated financial statements

Key audit matter	As at 31 December 2016, the Group has goodwill of RMB42,371.78 million relating to the cement and concrete business segments. The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits of associates and income tax expense. The cement and concrete segments recorded a decrease in results in the year ended 31 December 2016. This has increased the risk the carrying values of goodwill allocated to these segments may be impaired. The management has concluded that there is no impairment in respect of the goodwill allocated to the cement and concrete segments. Management's conclusion was based on a value in use model that required significant management judgements including those relating to: – estimated values used in the model for a valuation, provided by an independent external valuer; – the discount rate used and the underlying cash flows arising estimate of future revenue growth applied to the estimated future cash flows.
How our audit addressed the Key Audit Matter	Our audit procedures in relation to management's impairment assessment of goodwill of the cement and concrete segments included: – evaluating the independent external valuers' competence, and capabilities and the objectives of their exercise; – assessing the valuation methodology; – considering the historical financial performance and growth rates of the relevant cash-generating units; – challenging the reasonableness of both management's and valuer's key assumptions based on our understanding of the business and industry; and – reconciling input data and relevant factors to supporting evidences. We found the assumptions made by the external valuer and management in relation to the value in use calculations to be reasonable based on available evidence. The significant inputs involved have been appropriately disclosed in Note 18.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of available-for-sale financial assets – equity shares in China Shanshui Cement Group Limited ("Shanshui Cement")

Refer to Note 22 to the consolidated financial statements

Key audit matter

As at 31 December 2016, the Group held a 16.67% equity investment (563,190,040 shares) in China Shanshui Cement Group Limited ("Shanshui Cement"), with carrying value of RMB833,521,000.

Shanshui Cement is listed in Main Board of The Stock Exchange of Hong Kong Limited ("HKEX"). However, trading in its shares on the HKEX has been suspended with effect from 16 April 2015 and directors have replied that the shares will remain suspended from trading until further notice.

The fair value of the equity investment in Shanshui Cement is based on valuation method with inputs that are not based on observable market data.

The management has concluded that there is no impairment in respect of the value of investment in Shanshui Cement. This conclusion was based on a valuation applying market approach – the Capital Asset Pricing Model ("CAPM"), that requires significant management judgement with respect to:

- estimated values used in the model for a valuation, provided by an independent external valuer; and
- the discount rate and specific risk adjustment coefficient ("Rc"), a factor reflecting Shanshui Cement's recent operating situation.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's valuation and impairment assessment of available-for-sale financial assets included:

- evaluating the independent external valuers' competence, capabilities and objectives;
- assessing the valuation methodology;
- challenging the reasonableness of key assumptions based on our knowledge of Shanshui Cement; and
- reconciling input data and relevant parameters to supporting evidences.

We found the assumptions made by the external valuer and management in relation to the value of the equity investments in Shanshui Cement to be reasonable based on available evidence. The significant inputs involved have been appropriately disclosed in Note 5.3(a).

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Gao Yajun.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 24 March 2017

Gao Yajun
Practising certificate number P06391

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	**2016** **RMB'000**	2015 *RMB'000* (Restated)
Revenue	6	**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	8	**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	9	**(9,293,513)**	(10,532,177)
Share of profits of associates	21	**763,260**	331,171
Profit before income tax	11	**4,060,436**	4,105,384
Income tax expense	12	**(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)*	14	**0.20**	0.19

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Profit for the year	**2,822,244**	2,792,762
Other comprehensive expenses, net of tax: (Note 12(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

The accompanying notes are an integral part of the consolidated financial statements.

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	15	**129,088,091**	126,225,430	126,019,342
Prepaid lease payments	16	**14,660,619**	14,512,689	14,107,910
Investment properties	17	**315,660**	323,395	300,472
Goodwill	18	**42,604,255**	42,604,255	42,847,327
Intangible assets	19	**7,259,784**	7,144,897	5,336,403
Interests in associates	21	**10,715,153**	10,347,973	10,016,030
Available-for-sale financial assets	22	**3,095,655**	3,331,163	1,301,689
Deposits	24	**3,522,251**	4,213,178	6,584,989
Deferred income tax assets	32	**4,821,436**	4,015,509	3,251,399
		216,082,904	212,718,489	209,765,561
Current assets				
Inventories	25	**15,204,778**	15,164,523	16,663,437
Trade and other receivables	26	**76,576,890**	69,693,707	60,973,346
Available-for-sale financial assets	22	**43,998**	132,480	–
Financial assets at fair value through profit or loss	23	**2,692,941**	3,084,343	1,978,704
Amounts due from related parties	27	**11,928,255**	12,694,943	11,133,077
Pledged bank deposits	29	**7,973,769**	5,746,301	5,704,068
Cash and cash equivalents	29	**10,250,639**	10,584,045	10,294,381
		124,671,270	117,100,342	106,747,013
Current liabilities				
Trade and other payables	30	**49,353,538**	46,291,969	51,271,854
Amounts due to related parties	27	**6,058,394**	7,342,940	1,713,831
Borrowings – amount due within one year	31	**140,802,387**	144,425,583	139,292,634
Obligations under finance leases	33	**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	34	**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

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2016

	Note	**2016** ***RMB'000***	2015 *RMB'000* (Restated)	2014 *RMB'000* (Restated)
Non-current liabilities				
Borrowings – amount due after one year	31	**44,492,436**	30,501,188	37,731,114
Deferred income		**968,633**	1,108,573	1,222,202
Obligations under finance leases	33	**14,141,494**	18,150,330	9,142,563
Financial guarantee contracts due after one year	34	**–**	–	56,981
Deferred income tax liabilities	32	**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
Capital and reserves				
Share capital	35	**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	37	**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

The consolidated financial statements on pages 127 to 263 were approved and authorised for issue by the Board of Directors on 24 March 2017 and were signed on its behalf by:

Song Zhiping
Director

Cao Jianglin
Director

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund (Note 36(a))	Fair value reserve (Note 36(b))	Exchange reserve	Retained earnings	Total	Perpetual capital instruments (Note 37)	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015:											
– As previously reported	5,399,026	4,824,481	300,182	2,195,487	148,987	(147,492)	27,852,230	40,572,901	5,000,125	21,404,205	66,977,231
– Adjustment for business combination under common control (Note 40)	–	–	32,079	–	–	–	(1,405)	30,674	–	1	30,675
As restated	5,399,026	4,824,481	332,261	2,195,487	148,987	(147,492)	27,850,825	40,603,575	5,000,125	21,404,206	67,007,906
Profit for the year (Restated)	–	–	–	–	–	–	1,019,461	1,019,461	325,592	1,447,709	2,792,762
Other comprehensive (expenses)/ income, net of tax (Note 12(b))											
Currency translation differences	–	–	–	–	–	(37,055)	–	(37,055)	–	10,714	(26,341)
Changes in fair value of available-for-sale financial assets, net	–	–	–	–	(84,363)	–	–	(84,363)	–	3,611	(80,752)
Shares of associates' other comprehensive income/ (expenses)	–	–	–	–	(3,997)	23,013	–	19,016	–	–	19,016
Total comprehensive income/ (expenses) for the year	–	–	–	–	(88,360)	(14,042)	1,019,461	917,059	325,592	1,462,034	2,704,685
Dividends (Note 13)	–	–	–	–	–	–	(890,839)	(890,839)	–	–	(890,839)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(1,164,233)	(1,164,233)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 38(a))	–	–	–	–	–	–	–	–	–	101,586	101,586
Business combination under common control (Note 40)	–	–	(13,567)	–	–	–	–	(13,567)	–	13,567	–
Disposal of subsidiaries (Note 38(b))	–	–	(1,624)	–	–	–	–	(1,624)	–	(1,969)	(3,593)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	150,588	150,588
Decrease in non-controlling interest as a result of acquisition of additional interest in subsidiaries without change in control	–	–	262,555	–	–	–	–	262,555	–	(385,478)	(122,923)
Appropriation to statutory reserve	–	–	–	180,602	–	–	(180,602)	–	–	–	–
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	–	4,954,146	–	4,954,146
Share of reserves in associates	–	–	1,036,114	–	–	–	–	1,036,114	–	–	1,036,114
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	–	(285,000)	–	(285,000)
Others	–	–	2,410	–	–	–	–	2,410	–	1,213	3,623
Balance at 31 December 2015 (Restated)	5,399,026	4,824,481	1,618,149	2,376,089	60,627	(161,534)	27,798,845	41,915,683	9,994,863	21,581,514	73,492,060

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund (Note 36(a))	Fair value reserve (Note 36(b))	Exchange reserve	Retained earnings	Total	Perpetual capital instruments (Note 37)	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016	5,399,026	4,824,481	1,599,636	2,376,089	60,627	(161,534)	27,800,150	41,898,475	9,994,863	21,567,939	73,461,277
– Adjustment for business combination under common control (Note 40)	–	–	18,513	–	–	–	(1,305)	17,208	–	13,575	30,783
As restated	5,399,026	4,824,481	1,618,149	2,376,089	60,627	(161,534)	27,798,845	41,915,683	9,994,863	21,581,514	73,492,060
Profit for the year	–	–	–	–	–	–	1,058,171	1,058,171	527,103	1,236,970	2,822,244
Other comprehensive (expenses)/ income, net of tax (Note 12(b))											
Currency translation differences	–	–	–	–	(3,161)	(13,295)	–	(16,456)	–	16,732	276
Changes in fair value of available-for-sale financial assets, net	–	–	–	–	(495,261)	–	–	(495,261)	–	(1,760)	(497,021)
Shares of associates' other comprehensive income/ (expenses)	–	–	–	–	(618)	14,637	–	14,019	–	–	14,019
Total comprehensive income/ (expenses) for the year	–	–	–	–	(499,040)	1,342	1,058,171	560,473	527,103	1,251,942	2,339,518
Dividends (Note 13)	–	–	–	–	–	–	(199,764)	(199,764)	–	–	(199,764)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(822,373)	(822,373)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 38(a))	–	–	–	–	–	–	–	–	–	17,594	17,594
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	83,000	83,000
Appropriation to statutory reserve	–	–	–	537,412	–	–	(537,412)	–	–	–	–
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	–	1,998,220	–	1,998,220
Share of reserves in associates	–	–	8,736	–	–	–	–	8,736	–	(1,145)	7,591
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	–	(516,500)	–	(516,500)
Deemed partial disposal of interest in subsidiaries without losing control (Note 39(b))	–	–	2,252,945	–	–	–	–	2,252,945	–	1,931,316	4,184,261
Decrease in non-controlling interests as result of acquisition of additional interest in subsidiaries without change in control (Note 39(a))	–	–	(2,674,700)	–	–	–	–	(2,674,700)	–	(2,313,350)	(4,988,050)
Others	–	–	(12,249)	(1,292)	–	–	–	(13,541)	–	(14,479)	(28,020)
Balance at 31 December 2016	5,399,026	4,824,481	1,192,881	2,912,209	(438,413)	(160,192)	28,119,840	41,849,832	12,003,686	21,714,019	75,567,537

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (Restated)
Operating activities		
Profit before income tax	**4,060,436**	4,105,384
Adjustments for:		
Share of profits of associates	**(763,260)**	(331,171)
Finance costs	**9,958,761**	11,085,949
Interest income	**(665,248)**	(553,772)
Dividends from available-for-sale financial assets	**(40,201)**	(33,746)
Impairment loss on property, plant and equipment recognised	**203,748**	–
Impairment loss on goodwill	**–**	391,180
Loss/(gain) on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**35,078**	(33,674)
Decrease/(increase) in fair value of financial assets at fair value through profit or loss, net	**71,402**	(438,678)
Gain on disposal of interests in associates	**(239,249)**	–
Gain on disposal of other investments	**(1,377)**	–
Deferred income released to the consolidated statement profit of loss	**(108,403)**	(101,792)
Depreciation of property, plant and equipment and investment properties	**7,179,533**	7,061,799
Amortisation of intangible assets	**435,167**	390,527
Prepaid lease payments released to the consolidated statement profit or loss	**378,047**	387,465
Waiver of payables	**(120,990)**	(70,393)
Allowance for bad and doubtful debts	**1,151,550**	548,980
Write down/(reversal of provision) of inventories	**20,329**	(61,790)
Impairment loss on available-for-sale financial assets	**1,512**	2,734
Gain on disposal of subsidiaries, net	**–**	(31,084)
Discount on acquisition of interests in subsidiaries	**(3,097)**	(34,080)
Net foreign exchange losses/(gain)	**69,115**	(53,037)
Operating cash flows before working capital changes	**21,622,853**	22,230,801
(Increase)/decrease in inventories	**(60,168)**	2,432,956
Increase in trade and other receivables	**(6,088,655)**	(7,766,256)
Decrease/(increase) in amounts due from related parties	**492,869**	(512,651)
Increase/(decrease) in trade and other payables	**1,287,127**	(6,765,704)
(Decrease)/increase in amounts due to related parties	**(738,759)**	619,533
Decrease in deferred income	**(31,537)**	(11,837)
Cash generated from operations	**16,483,730**	10,226,842

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Cash generated from operations	**16,483,730**	10,226,842
Income tax paid	**(1,759,746)**	(2,480,344)
Interest received	**665,248**	556,245
Net cash generated from operating activities	**15,389,232**	8,302,743
Investing activities		
Purchase of available-for-sale financial assets	**(174,108)**	(1,099,436)
Purchase of financial assets at fair value through profit or loss	**(2,500,000)**	(667,311)
Purchase of property, plant and equipment	**(10,845,271)**	(7,173,285)
Purchase of intangible assets	**(626,527)**	(2,167,528)
Purchase of investment properties	**(1,828)**	(13,801)
Proceed on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**663,848**	321,631
Acquisition of interests in associates	**–**	(437,514)
Dividend received from associates	**133,741**	385,864
Proceed from disposal of associates	**523,206**	2,017
Proceed from disposal of subsidiaries, net of cash and cash equivalents	**–**	(63,212)
Proceed on disposal of available-for-sale financial assets	**36,400**	–
Proceed on disposal of financial assets at fair value through profit or loss	**2,820,000**	–
Dividend received from available-for-sale financial assets	**40,201**	33,746
Deposits paid	**(3,522,251)**	(4,213,178)
Deposits refunded	**4,213,178**	6,584,989
Payment for prepaid lease payments	**(683,021)**	(783,423)
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	**30,427**	(575,636)
Advance from/(to) related parties	**273,819**	(974,024)
Other payments for investing activities	**(520,743)**	(1,830,843)
Increase in pledged bank deposits	**(2,221,967)**	(42,233)
Net cash used in investing activities	**(12,360,896)**	(12,713,177)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Financing activities		
Proceed from issue of perpetual capital instruments, net of issuance cost	**1,998,220**	4,954,146
Interest paid	**(9,849,439)**	(10,298,142)
Interest paid on perpetual capital instruments paid	**(516,500)**	(285,000)
Dividend paid to shareholders	**(199,764)**	(890,839)
Dividend paid to non-controlling interests of subsidiaries	**(822,373)**	(1,389,494)
Payment for acquisition of additional interests in subsidiaries	**(303,604)**	(120,165)
Contributions from non-controlling interests	**12,200**	150,588
Repayment of borrowings	**(192,636,184)**	(220,648,080)
Other payments for financing activities	**(30,188)**	(661,152)
New borrowings raised	**203,725,058**	219,602,913
(Decrease)/increase in amounts due to related parties	**(545,787)**	5,009,576
(Decrease)/increase obligations under finance leases	**(4,267,634)**	9,237,727
Net cash (used in)/generated from financing activities	**(3,435,995)**	4,662,078
Net (decrease)/increase in cash and cash equivalents	**(407,659)**	251,644
Exchange gain on cash and cash equivalents	**74,253**	38,020
Cash and cash equivalents at beginning of the year	**10,584,045**	10,294,381
Cash and cash equivalents at end of the year	**10,250,639**	10,584,045

The accompanying notes are an integral part of the consolidated financial statements.

1 GENERAL INFORMATION

China National Building Material Company Limited (the "Company") was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 28 March 2005. On 23 March 2006, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of registered office and principal place of business of the Company are located at Tower 2 (Building B), Guohai Plaza, 17 Fuxing Road, Haidian District, Beijing, the PRC.

The Company's immediate and ultimate holding company is China National Building Material Group Co., Ltd (formerly known as "China National Building Material Group Corporation") ("Parent"), which is a state-owned enterprise established on 3 January 1984 under the laws of the PRC.

The Company is an investment holding company. Particulars of the Company's principal subsidiaries are set out in Note 20. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company, unless otherwise stated.

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

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[3]
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[2]
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[4]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle[5]

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

The Group is in the process of making 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.

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

2.2 New and amendments IFRSs in issue but not yet effective *(continued)*

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.

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

2.2 New and amendments IFRSs in issue but not yet effective *(continued)*

IFRS 9 Financial Instruments *(continued)*

- 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

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

2.2 New and amendments IFRSs in issue but not yet effective *(continued)*

IFRS 15 Revenue from Contracts with Customers *(continued)*

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.

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

2.2 New and amendments IFRSs in issue but not yet effective *(continued)*

IFRS 16 Leases *(continued)*

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 as disclosed in Note 43. 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 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with 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 by the Hong Kong Companies Ordinance Cap. 622 ("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.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation *(continued)*

Business combination under common control

On 20 October 2016, CNBM New Energy Engineering Co., Ltd. (中建材新能源工程有限公司) ("New Energy"), a former associate of the Group, with 35% shareholding held by an indirect subsidiary of the Group, Jetion Solar (China) Co., Ltd (中建材浚鑫科技股份有限公司) ("Jetion Solar"), reduced its registered and paid-up capital from RMB50,000,000 to RMB17,500,000. As a result of the reduction of the registered and paid-up capital, the another two shareholders of New Energy, China National Building Materials & Equipment Import & Export Corporation (中建材集團進出口公司) ("CNBM Trading") and CNBM International Trading Limited (中建材國際貿易有限公司) ("International Trading ") withdrew their investments, resulted in the increase in shareholding in New Energy held by Jetion Solar from 35% to 100% (the "deemed acquisition") and thus New Energy has become a wholly-owned subsidiary of the Group since then.

As CNBM Trading, International Trading and the Group are ultimately controlled by China National Building Material Group Co., Ltd, the deemed acquisition has been accounted for based on the principles of merger accounting. The consolidated financial statements of the Group has been prepared using the merger basis of accounting as if the current group structure has been in existence through out the years presented. The opening balance at 1 January 2015 have been restated, with consequential adjustments to comparatives for the year ended 31 December 2015.

The details of the restated balances have been disclosed in Note 40 to this consolidated financial statements.

3.2 Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.2.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations

3.3.1 Acquisition method for business combination involving entity not under common control

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

3.3.1 Acquisition method for business combination involving entity not under common control *(continued)*

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incompleted by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incompleted. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

3.3.2 Merger accounting for business combination involving entities under common control

Business combination involving entities under common control has been accounted for by applying the principles of merger accounting.

In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised for goodwill or excess of acquirers' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements have been restated as if the business combination had been completed on the earliest date of the periods being presented or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses incurred in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they were incurred.

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.4 Goodwill *(continued)*

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

3.5 Investments in associates

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.5 Investments in associates *(continued)*

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

3.6 Segment reporting

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

3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services provided in the normal course of business, net of estimated customer returns, rebates, discounts, sales related taxes and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.7 Revenue recognition *(continued)*

Revenue from engineering services performed in respect of construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see Note 3.8).

Other service income is recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leasing *(continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3.10 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency to the Group (i.e. RMB), using exchange rates prevailing at the end of each reporting period. Income and expenses, items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.10 Foreign currencies *(continued)*

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.12 Government grants

Government grants, which take many forms including VAT refunds, are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.13 Retirement benefits costs and short-term employee benefits

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group’s obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

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

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.14 Cash-settled share-based payment transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share appreciation rights which are settled in cash. The cost of share appreciation rights is measured initially at fair value at the grant date using the Black-Scholes formula taking into accounts the terms and conditions upon which the instruments are granted. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is re-measured at fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the consolidated statement of profit or loss.

3.15 Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3.16 Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) and freehold land held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Construction in progress represents property, plant and equipment in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.16 Property, plant and equipment *(continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3.17 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3.18 Intangible assets

Patents

Patents have finite useful lives and are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Subsequent to initial recognition, patents are stated at cost less accumulated amortisation and any accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.18 Intangible assets *(continued)*

Trademarks

Trademarks have indefinite useful lives and are carried at cost less any accumulated impairment losses.

Mining rights

Mining rights have finite useful lives and are measured initially at purchase cost and are amortised on a straight line basis over the concession period. Subsequent to initial recognition, mining rights are stated at cost less accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of the intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the intangible assets and are recognised in the consolidated statement of profit or loss when the intangible assets are derecognised.

3.19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.19 Impairment of tangible and intangible assets other than goodwill *(continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3.21 Provisions

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity investments, available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts of financial instruments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which income is included in net gains or losses.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Investment and other income" line item. Fair value is determined in the manner described in Note 5.3.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment losses on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain unlisted equity shares, listed equity shares listed in Hong Kong and listed equity shares listed outside Hong Kong as AFS financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of “fair value reserve” is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledge bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic condition that correlate with default on receivables.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of "fair value reserve". In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an even occurring after the recognition of the impairment loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity and perpetual capital instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group with no maturity date and contracted obligation to repay its principal and any distribution are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are measured initially at their fair values and if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies above.

Other financial liabilities

Other financial liabilities, including trade and other payables, amount due to related parties, borrowings, obligations under finance leases and dividend payable to non-controlling interests are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expenses is recognised on an effective interest basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3.24 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.25 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

As described in Note 3, 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.

4.1 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. Details of BNBM are set out in Note 20.

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.

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

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

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")

Note 21 describes that 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.

4.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

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 lower of 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 inventories of approximately of 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.

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

4.2 Key sources of estimation uncertainty *(continued)*

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). Details of the recoverable amount calculation are disclosed in Note 18.

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.

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

4.2 Key sources of estimation uncertainty *(continued)*

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. Relevant information about the utilization of valuation techniques and input in the process of determining the fair value of each asset and liability is disclosed in Notes 5.3 and 17.

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.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk, liquidity risk and capital risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group seeks to minimise the effects of some of these risks by using derivative financial instruments.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency risk, interest rate risk and equity price risk. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The Group's functional currency is RMB in which most of the transactions are denominated. However, certain cash and cash equivalents and borrowings are denominated in foreign currencies. Foreign currencies are also used to collect the Group's revenue from overseas operations and to settle purchases of machinery and equipment suppliers and certain expenses.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
United States Dollar ("USD")	**1,125,691**	933,780	**3,679,332**	966,972
European Dollar ("EUR")	**1,001,449**	173,508	**656,941**	424,421
Hong Kong Dollar ("HKD")	**–**	234	**356,265**	381,728
Papua New Guinea Kina ("PGK")	**16,112**	61,290	**86,459**	193,498
Saudi Arabian Riyal ("SAR")	**–**	–	**5,226**	8,154
Vietnamese Dong ("VND")	**24,079**	–	**25,033**	1,673
Kazakhstan Tenge ("KZT")	**119,725**	846	**33,448**	48,012
Australian Dollar ("AUD")	**6,049**	24,908	**12,135**	15,151
British Pound ("GBP")	**12,183**	–	**934,515**	1,161
Thai Baht ("THB")	**501,991**	–	**215,045**	–
Japanese Yen ("JPY")	**295**	–	**28,360**	14,704
Others	**4,572**	12,999	**39,661**	74,060

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign currency risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 6.44% increase or decrease in RMB against the relevant foreign currencies 6.44% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 6.44% change in foreign currency rates. A negative number below indicates a decrease in profit where RMB strengthen 6.44% against the relevant currency. For a 6.44% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

Effect on profit after tax

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
USD	**(114,306)**	(1,454)
EUR	**15,421**	(10,992)
HKD	**(15,947)**	(16,713)
PGK	**(3,149)**	(5,792)
SAR	**(234)**	(357)
VND	**(43)**	(73)
KZT	**3,862**	(2,066)
AUD	**(272)**	427
GBP	**(41,285)**	(51)
JPY	**(1,256)**	(644)
THB	**12,844**	–
Others	**(1,571)**	(2,701)
	(145,936)	(40,416)

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

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry at prevailing market interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The interest rate risk on bank balances is minimal as the fluctuation of the prevailing market interest rate is insignificant.

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the basic interest rate declared by People's Bank of China arising from the Group's long-term borrowings.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the reporting date, which amounted RMB56,808.69 million (2015: RMB58,709.10 million), was outstanding for the whole year. A 126 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2016 would decrease by RMB497.52 million (2015: RMB503.21 million). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

The Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate bank borrowings.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair values of available-for-sale and held-for-trading listed equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets in Note 22 and financial assets at fair value through profit or loss in Note 23 as at 31 December 2016. The Group's listed investments are listed on the Hong Kong, Shenzhen and Shanghai Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period date, and its respective highest and lowest point during the year was as follows:

	31 December 2016	**High/low 2016**	31 December 2015	High/low 2015
Hong Kong Stock Exchange – Hang Seng Index	**22,001**	**24,364/18,279**	21,914	28,442/20,556
Shenzhen Stock Exchange – Component Index	**10,177**	**12,659/8,987**	12,665	18,098/9,291
Shanghai Stock Exchange – Composite Index	**3,104**	**3,362/2,656**	3,539	5,166/2,927

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Equity price risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase in the fair values of held-for-trading listed equity securities against the Group's profit after tax with all other variables held constant on their carrying amounts at the end of the reporting period.

	2016 Carrying amount of equity investments *RMB'000*	**2016 Increase in net profit** *RMB'000*	2015 Carrying amount of equity investments *RMB'000* (Restated)	2015 Increase in net profit *RMB'000* (Restated)
Investments listed in:				
Hong Kong, Shenzhen and Shanghai Stock Exchange				
Held-for-trading	**1,703,414**	**118,397**	1,773,583	120,650

For a 10% decrease in the fair values of the equity investments, there would be an equal and opposite impact on the profit.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, pledged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a finance loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to cover overdue debts. The management also sets several policies to encourage the salespersons increasing the receivables gathering. In addition, the Group reviews the recoverable amounts of trade receivables at each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the bank balances and pledged bank deposits are maintained with state-owned banks or other creditworthy financial institutions in the PRC.

The credit risk on bills receivable is limited because the bills are guaranteed by banks for payments and the banks are either the state-owned banks or other creditworthy financial institutions in the PRC.

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

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2016, the Group has net current liabilities and capital commitments of approximately RMB78,732.33 million (2015: approximately RMB87,342.28 million) and approximately RMB1.02 million (2015: approximately RMB9.87 million) (Note 42), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding are sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2016, the Group had unused banking facilities and bonds registered but not yet issued, of approximately RMB147,256.44 million (2015: approximately RMB108,943.29 million).

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Effective interest rate %	Within one year RMB'000	One to two years RMB'000	Two to three years RMB'000	Three to four years RMB'000	Four to five years RMB'000	After five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2016									
Trade and other payables	–	49,353,538	–	–	–	–	–	49,353,538	49,353,538
Amounts due to related parties									
Interest-free	–	1,424,126	–	–	–	–	–	1,424,126	1,424,126
Fixed rate	5.31%	4,880,549	–	–	–	–	–	4,880,549	4,634,268
Borrowings									
Fixed rate bank loans	4.02%	47,785,779	2,347,911	4,031,050	468,502	7,734	2,369,069	57,010,045	54,806,814
Variable rate bank loans	4.51%	47,455,504	5,265,692	5,270,393	701,335	401,163	276,676	59,370,763	56,808,690
Other borrowings from non-financial institutions	6.69%	368,497	264,375	239,163	907,865	11,726	–	1,791,626	1,679,319
Bonds	3.88%	49,977,020	6,449,307	16,280,226	–	2,087,047	–	74,793,600	72,000,000
Obligations under finance leases	7.84%	5,304,270	7,931,328	3,743,134	1,148,547	362,521	2,253,095	20,742,895	19,076,576
Dividends payable to non-controlling interests	–	311,380	–	–	–	–	–	311,380	311,380
Financial guarantee contracts	5.35%	60,030	–	–	–	–	–	60,030	56,981
		206,920,693	22,258,613	29,563,966	3,226,249	2,870,191	4,898,840	269,738,552	260,151,692

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Effective interest rate %	Within one year *RMB'000*	One to two years *RMB'000*	Two to three years *RMB'000*	Three to four years *RMB'000*	Four to five years *RMB'000*	After five years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2015 (Restated)									
Trade and other payables	–	46,291,969	–	–	–	–	–	46,291,969	46,291,969
Amounts due to related parties									
Interest-free	–	1,745,866	–	–	–	–	–	1,745,866	1,745,866
Fixed rate	5.64%	5,894,527	–	–	–	–	–	5,894,527	5,597,074
Borrowings									
Fixed rate bank loans	4.02%	37,913,387	2,565,569	937,264	251,904	85,422	88,165	41,841,711	40,224,678
Variable rate bank loans	4.51%	48,509,846	5,676,649	4,575,712	214,238	1,257,138	1,123,289	61,356,872	58,709,093
Other borrowings from non-financial institutions	6.69%	117,890	113,089	935,116	–	–	–	1,166,095	1,093,000
Bonds	3.88%	62,764,763	8,292,637	6,748,721	–	–	–	77,806,121	74,900,000
Obligations under finance leases	8.60%	4,865,900	4,255,417	12,082,686	2,419,206	899,106	28,284	24,550,599	22,606,938
Dividends payable to non-controlling interests	–	216,528	–	–	–	–	–	216,528	216,528
Financial guarantee contracts	5.35%	60,030	–	–	–	–	–	60,030	56,981
		208,380,706	20,903,361	25,279,499	2,885,348	2,241,666	1,239,738	260,930,318	251,442,127

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.2 Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure the Group consists of debt, which includes the borrowings disclosed in Note 31, cash and cash equivalents disclosed in Note 29, equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings and perpetual capital instruments.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

5.3 Fair value measurements of financial instruments

(a) Financial instruments that are measured at fair value on a recurring basis

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

The following table presents the Group assets and liability that are measured at fair value at 31 December 2016.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through profit or loss	**1,703,414**	**–**	**989,527**	**2,692,941**
Available-for-sale financial assets	**1,310,756**	**–**	**833,521**	**2,144,277**
Total assets	**3,014,170**	**–**	**1,823,048**	**4,837,218**
Liability				
Financial guarantee contracts	**–**	**–**	**56,981**	**56,981**
Total liability	**–**	**–**	**56,981**	**56,981**

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

The following table presents the Group's assets and liability that are measured at fair value at 31 December 2015.

	Level 1 *RMB'000* (Restated)	Level 2 *RMB'000* (Restated)	Level 3 *RMB'000* (Restated)	Total *RMB'000* (Restated)
Assets				
Financial assets at fair value through profit or loss	1,773,583	–	1,310,760	3,084,343
Available-for-sale financial assets	1,505,422	–	1,061,258	2,566,680
Total assets	3,279,005	–	2,372,018	5,651,023
Liability				
Financial guarantee contracts	–	–	56,981	56,981
Total liability	–	–	56,981	56,981

During the year ended 31 December 2016, there were no significant transfers between levels of the financial assets and financial liabilities.

During the year ended 31 December 2016, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quotes prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. The instruments are included in level 1. Instruments includes in level 1 comprise primarily Hong Kong Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair value of financial guarantee contracts is estimated by the management with reference to the financial condition of the guarantee, which were considered as level 3 valuation.

Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

(a) Financial instruments that are measured at fair value on a recurring basis *(continued)*

Information about Level 3 fair value measurements

Financial assets	Fair value as at 31 December 2016	Fair value as at 31 December 2015	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB989,527,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,310,760,000	Discounted cash flows Key unobservable inputs are: Expected yields of 2.85% to 4.00% of money markets and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the discount rate, the lower the fair value The higher the expected yield, the higher the fair value
Equity investments classified as AFS	16.67 per cent equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB833,521,000	16.67 per cent equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB1,061,258,000	Market approach – Capital Asset Pricing Model (CAPM) Key unobservable inputs are: Specific risk adjustment coefficient (Rc) of 12%, taking into account Shanshui Cement's recent operating situation	The higher the Specific risk adjustment coefficient, the lower the fair value

Note: The management considers that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

The directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost were not materially different from their fair value.

(b) Financial instruments that are not measured at fair value on a recurring basis

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

6 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

7 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.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

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.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2016 *(continued)*

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 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 and bills payable attributable to sales activities of each segment with the exception of corporate expense payables.

	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*
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

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2016 *(continued)*

	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*
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
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)

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

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.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2015 *(continued)*

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 and bills payable attributable to sales activities of each segment and borrowings 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

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2015 *(continued)*

	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)
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
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)

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

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

	2016 ***RMB'000***	2015 *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 statements 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

7 SEGMENTS INFORMATION *(CONTINUED)*

(b) Geographical segments

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

Revenue from external customers

	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.

8 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 (Note 38(a))	**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 (Note 38(b))	**–**	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 (Note 17)	**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.

9 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.

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2016

	Fees *RMB'000*	Salaries, allowance and benefits-in-kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement plan contributions *RMB'000*	Share appreciation rights *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Song Zhiping	–	–	–	–	–	–
Mr. Cao Jianglin	–	–	–	–	–	–
Mr. Chang Zhangli	–	397	240	47	–	684
Mr. Peng Shou	–	444	540	32	–	1,016
Mr. Cui Xingtai	–	457	360	47	–	864
Non-executive directors						
Mr. Guo Chaomin	–	–	–	–	–	–
Mr. Chen Yongxin	–	–	–	–	–	–
Mr. Tao Zheng	–	–	–	–	–	–
Independent non-executive directors						
Mr. Sun Yanjun	300	–	–	–	–	300
Mr. Liu Jianwen (Note b)	175	–	–	–	–	175
Mr. Zhou Fangsheng	175	–	–	–	–	175
Mr. Qian Fengsheng	175	–	–	–	–	175
Ms. Xia Xue	175	–	–	–	–	175
Mr. Shin Fang (Note a)	125	–	–	–	–	125
Mr. Tang Yunwai (Note a)	125	–	–	–	–	125
Mr. Wu Liansheng (Note a)	–	–	–	–	–	–
Mr. Huang Anzong (Note a)	–	–	–	–	–	–
Mr. Zhao Lihua (Note a)	125	–	–	–	–	125
Supervisors						
Mr. Wu Jiwei	–	–	–	–	–	–
Ms. Zhou Guoping	–	–	–	–	–	–
Ms. Cui Shuhong	–	320	82	47	–	449
Ms. Zeng Xuan	–	123	47	35	–	205
Independent supervisors						
Mr. Wu Weiku	200	–	–	–	–	200
Mr. Li Xuan	117	–	–	–	–	117
Mr. Liu Jianwen (Note b)	83	–	–	–	–	83
	1,775	1,741	1,269	208	–	4,993

Note:

(a) Resigned on 26 May 2016.

(b) Mr. Liu Jianwen acted as independent supervisor till 26 May 2016. He was appointed as an independent non-executive director with effective date of 27 May 2016.

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

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

Year ended 31 December 2015

	Fees	Salaries, allowance and benefits-in-kind	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	–	–	–	–	–	–
Mr. Cao Jianglin	–	–	–	–	–	–
Mr. Chang Zhangli	–	387	300	44	–	731
Mr. Peng Shou	–	432	540	28	–	1,000
Mr. Cui Xingtai	–	446	540	44	–	1,030
Non-executive directors						
Mr. Guo Chaomin	–	–	–	–	–	–
Mr. Huang Anzhong	–	–	–	–	–	–
Mr. Tao Zheng	–	–	–	–	–	–
Independent non-executive directors						
Mr. Shin Fang	300	–	–	–	–	300
Mr. Tang Yunwei	300	–	–	–	–	300
Mr. Zhao Lihua	300	–	–	–	–	300
Mr. Wu Liansheng	300	–	–	–	–	300
Mr. Sun Yanjun	300	–	–	–	–	300
Supervisors						
Mr. Wu Jiwei	–	–	–	–	–	–
Ms. Zhou Guoping	–	–	–	–	–	–
Ms. Cui Shuhong	–	169	97	44	–	310
Ms. Zeng Xuan	–	115	47	20	–	182
Independent supervisors						
Mr. Wu Weiku	200	–	–	–	–	200
Mr. Liu Jianwen	200	–	–	–	–	200
	1,900	1,549	1,524	180	–	5,153

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2015: none) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments in respect of five (2015: five) individuals were as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Salaries, allowances and benefits-in-kind	**1,743**	1,667
Discretionary bonuses	**5,606**	5,994
Retirement plan contributions	**187**	190
	7,536	7,851

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

	Number of the five highest paid individuals **2016**	2015
Nil – HKD1,000,000 (equivalent to RMB866,200)	**–**	–
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,299,300)	**1**	–
HKD1,500,001 – HKD2,000,000 (equivalent to RMB1,732,400)	**4**	3
HKD2,000,001 – HKD2,500,000 (equivalent to RMB2,165,500)	**–**	2

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

11 PROFIT BEFORE INCOME TAX

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

	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)

12 INCOME TAX EXPENSE

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

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Current income tax	**1,984,391**	2,163,062
Deferred income tax (Note 32)	**(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 ***RMB'000***	2015 *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.

12 INCOME TAX EXPENSE *(CONTINUED)*

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

	2016			2015		
	Before taxation	**Taxation credited *(Note 32)***	**Net of taxation**	Before taxation	Taxation credited (Note 32)	Net of taxation
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000* (Restated)	*RMB'000* (Restated)	*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

13 DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
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.

14 EARNINGS PER SHARE – BASIC AND DILUTED

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

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

	2016 ***'000***	2015 *'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.

15 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2015 (Restated)					
As previously reported	7,315,076	65,627,719	68,162,890	6,185,930	147,291,615
Business combination under common control (Note 40)	–	–	45	–	45
As at 1 January 2015 (Restated)	7,315,076	65,627,719	68,162,935	6,185,930	147,291,660
Additions	5,235,700	921,303	1,331,271	21,269	7,509,543
Acquisition of subsidiaries (Note 38(a))	80,437	156,056	221,603	5,752	463,848
Transfer from construction in progress	(8,053,741)	3,568,863	4,480,083	4,795	–
Transfer to construction in progress for reconstruction	930,649	(471,100)	(1,005,169)	(686)	(546,306)
Disposals	(112,510)	(316,544)	(363,023)	(339,967)	(1,132,044)
Disposal of subsidiaries (Note 38(b))	–	–	(34,240)	(1,959)	(36,199)
As at 31 December 2015 (Restated)	5,395,611	69,486,297	72,793,460	5,875,134	153,550,502

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2016 (Restated)					
As previously reported	5,395,611	69,486,297	72,793,415	5,875,134	153,550,457
Business combination under common control (Note 40)	–	–	45	–	45
As at 1 January 2016 (Restated)	5,395,611	69,486,297	72,793,460	5,875,134	153,550,502
Additions	8,914,906	1,083,400	582,401	148,430	10,729,137
Acquisition of subsidiaries (Note 38(a))	135,836	–	6,206	924	142,966
Transfer from construction in progress	(6,831,362)	2,425,530	4,367,722	38,110	–
Transfer to construction in progress for reconstruction	483,662	(126,320)	(357,342)	–	–
Disposals	(168,803)	(259,982)	(296,276)	(158,289)	(883,350)
As at 31 December 2016	7,929,850	72,608,925	77,096,171	5,904,309	163,539,255

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Depreciation and impairment					
As at 1 January 2015 (Restated)					
As previously reported	94,694	5,744,252	13,759,977	1,673,371	21,272,294
Business combination under common control (Note 40)	–	–	24	–	24
As at 1 January 2015 (Restated)	94,694	5,744,252	13,760,001	1,673,371	21,272,318
Charge for the year	–	1,835,685	4,597,103	619,986	7,052,774
Transfer to construction in progress for reconstruction	–	(127,965)	(417,983)	(357)	(546,305)
Disposals	–	(102,602)	(96,733)	(238,448)	(437,783)
Disposal of subsidiaries (Note 38(b))	–	–	(15,076)	(856)	(15,932)
As at 31 December 2015 (Restated)	94,694	7,349,370	17,827,312	2,053,696	27,325,072

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Depreciation and impairment					
As at 1 January 2016 (Restated)					
As previously reported	94,694	7,349,370	17,827,280	2,053,696	27,325,040
Business combination under common control (Note 40)	–	–	32	–	32
As at 1 January 2016 (Restated)	94,694	7,349,370	17,827,312	2,053,696	27,325,072
Charge for the year	–	1,999,449	4,553,676	616,845	7,169,970
Disposals	–	(51,641)	(83,355)	(112,630)	(247,626)
Impairment loss recognised	–	65,253	135,557	2,938	203,748
As at 31 December 2016	94,694	9,362,431	22,433,190	2,560,849	34,451,164
Carrying amount					
As at 31 December 2016	7,835,156	63,246,494	54,662,981	3,343,460	129,088,091
As at 31 December 2015 (Restated)	5,300,917	62,136,927	54,966,148	3,821,438	126,225,430

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The carrying amount of land and buildings shown above comprises leasehold interests in land situated in the PRC under medium term leases.

As at 31 December 2016, the carrying amount of plant and machinery includes an amount of approximately RMB 21,575.61 million (2015: approximately RMB24,456.04 million) in respect of assets held under finance leases.

At the reporting date, the carrying amount of the Group's property, plant and equipment pledged to secure the bank borrowings granted to the Group is analysed as follows:

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Land and buildings	**635,503**	642,513
Plant and machinery	**10,724,579**	7,491,068
Total	**11,360,082**	8,133,581

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, as follows:

Land and buildings	**2.38%**	2.38%
Plant and machinery	**5.28% to 9.50%**	5.28% to 9.50%
Motor vehicles	**9.50%**	9.50%

At 31 December 2016, land and buildings with carrying amount of approximately RMB2,220.56 million (2015: approximately RMB2,530.44 million) are still in the process of applying the title certificates.

16 PREPAID LEASE PAYMENTS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Carrying amount		
As at 1 January	**14,876,425**	14,456,154
Additions	**480,226**	783,423
Acquisitions of subsidiaries (Note 38(a))	**93,602**	53,244
Released to the consolidated statement of profit or loss	**(378,047)**	(387,465)
Disposals	**(53,014)**	(28,931)
As at 31 December	**15,019,192**	14,876,425

Analysis of the carrying amount of prepaid lease payments is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
The carrying amount of prepaid lease payments are analysed as follows:		
Non-current portion	**14,660,619**	14,512,689
Current portion included in trade and other receivables (Note 26)	**358,573**	363,736
	15,019,192	14,876,425

The amount represents the prepaid lease payments situated in the PRC for a period of 10 to 50 years.

As at 31 December 2016, prepaid lease payments with carrying amount of approximately RMB144.44 million (2015: approximately RMB16.38 million) are still in the process of applying the title certificates.

As at 31 December 2016, the Group has pledged prepaid lease payments with a carrying amount of approximately RMB196.93 million (2015: approximately RMB191.72 million) to secure bank borrowings granted to the Group.

17 INVESTMENT PROPERTIES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Cost		
As at 1 January	**422,626**	390,678
Additions	**1,828**	13,801
Acquired on acquisition of subsidiaries (Note 38(a))	**–**	18,147
As at 31 December	**424,454**	422,626
Depreciation		
As at 1 January	**99,231**	90,206
Charge for the year	**9,563**	9,025
As at 31 December	**108,794**	99,231
Carrying amount		
As at 31 December	**315,660**	323,395

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2015: 2.38%) per annum.

As at 31 December 2016 and 2015, the Group has not pledged investment properties to secure bank borrowings granted to the Group.

The fair value of the Group's investment properties as at 31 December 2016 was approximately RMB1,023.66 million (2015: approximately RMB708.62 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local valuers, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB15.61 million (2015: approximately RMB10.49 million). Direct operating expenses arising on the investment properties amounted to approximately RMB3.05 million (2015: approximately RMB2.54 million).

18 GOODWILL

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
As at 1 January	**42,604,255**	42,847,327
Arising from acquisition of subsidiaries (Note 38(a))	**–**	148,108
Impairment loss for the year	**–**	(391,180)
As at 31 December	**42,604,255**	42,604,255

Goodwill is allocated to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Cement	**33,619,422**	33,619,422
Concrete	**8,752,362**	8,752,362
Lightweight building materials	**92,552**	92,552
Glass fiber and composite materials	**15,991**	15,991
Engineering services	**62**	62
Others	**123,866**	123,866
	42,604,255	42,604,255

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

The Group determines the value in use of CGUs based on estimated discounted cash-flows, the discount rates and annual growth rates.

18 GOODWILL *(CONTINUED)*

The Group prepares cash flow forecasts derived from the most recent financial budgets of 5 years. The cash flows for the following five years are extrapolated with varying growth rates assuming the existing level of sales and production remaining the same and based on the average long-term growth rate for the business in which the CGU operates. The cash flows beyond the five-year period are extrapolated using zero growth rate. The average discount rates of 10% per annum are post-tax and reflect specific risks relating to the Group.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each CGU or groups of CGUs to exceed its recoverable amount.

19 INTANGIBLE ASSETS

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
Cost			
As at 1 January 2015 (Restated)			
As previously reported	6,178,643	308,440	6,487,083
Business combination under common control (Note 40)	–	3,146	3,146
As at 1 January 2015 (Restated)	6,178,643	311,586	6,490,229
Additions	2,103,359	64,169	2,167,528
Acquisition of subsidiaries (Note 38(a))	37,691	1,202	38,893
Disposals	–	(19,719)	(19,719)
Disposal of subsidiaries (Note 38(b))	–	(4,416)	(4,416)
As at 31 December 2015 (Restated)	8,319,693	352,822	8,672,515
As at 1 January 2016 (Restated)			
As previously reported	**8,319,693**	**349,676**	**8,669,369**
Business combination under common control (Note 40)	**–**	**3,146**	**3,146**
As at 1 January 2016 (Restated)	**8,319,693**	**352,822**	**8,672,515**
Additions	**471,408**	**155,120**	**626,528**
Disposals	**(71,503)**	**(20,726)**	**(92,229)**
As at 31 December 2016	**8,719,598**	**487,216**	**9,206,814**

19 INTANGIBLE ASSETS *(CONTINUED)*

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
Amortisation and impairment			
As at 1 January 2015 (Restated)			
As previously reported	**1,011,599**	**139,081**	**1,150,680**
Business combination under common control (Note 40)	**–**	**3,146**	**3,146**
As at 1 January 2015 (Restated)	**1,011,599**	**142,227**	**1,153,826**
Charge for the year	**337,484**	**53,043**	**390,527**
Disposals	**–**	**(12,319)**	**(12,319)**
Disposal of subsidiaries (Note 38(b))	**–**	**(4,416)**	**(4,416)**
As at 31 December 2015 (Restated)	**1,349,083**	**178,535**	**1,527,618**
As at 1 January 2016 (Restated)			
As previously reported	**1,349,083**	**175,389**	**1,524,472**
Business combination under common control (Note 40)	**–**	**3,146**	**3,146**
As at 1 January 2016 (Restated)	**1,349,083**	**178,535**	**1,527,618**
Charge for the year	**391,485**	**43,682**	**435,167**
Disposals	**(2,811)**	**(12,944)**	**(15,755)**
As at 31 December 2016	**1,737,757**	**209,273**	**1,947,030**
Carrying amount			
As at 31 December 2016	**6,981,841**	**277,943**	**7,259,784**
As at 31 December 2015 (Restated)	6,970,610	174,287	7,144,897

19 INTANGIBLE ASSETS *(CONTINUED)*

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

The management of the Company reviewed the carrying amount of intangible assets. No impairment loss was recognised for the years ended 31 December 2016 and 2015 in the consolidated statement of profit or loss.

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2016 and 2015, which are established and operated in the PRC, are as follows:

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company Direct 2016 %	Direct 2015 %	Indirect 2016 %	Indirect 2015 %	Principal activities
BNBM (Note (i, ii, iii))	RMB706,990,796	**35.73**	45.20	**–**	–	Production and sale of lightweight building materials
Taishan Gypsum Company Limited ("Taishan Gypsum") (Note (iv, vii))	RMB155,625,000	**–**	–	**35.73**	29.38	Production and sale of lightweight building materials
BNBM Suzhou Mineral Fiber Ceiling Company Limited (Note (iv))	RMB80,000,000	**–**	–	**35.73**	45.20	Production and sale of lightweight building materials
China United Cement Group Corporation Limited ("China United")	RMB4,000,000,000	**100.00**	100.00	**–**	–	Production and sale of cement
Lunan China United Cement Company Limited	RMB200,000,000	**–**	–	**80.34**	80.34	Production and sale of cement
Huaihai China United Cement Company Limited	RMB364,909,100	**–**	–	**80.88**	80.88	Production and sale of cement
Qingzhou China United Cement Company Limited	RMB200,000,000	**–**	–	**100.00**	100.00	Production and sale of cement

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company				Principal activities
		Direct		Indirect		
		2016	2015	**2016**	2015	
		%	%	**%**	%	
Taishan China United Cement Company Limited	RMB270,000,000	**–**	–	**95.68**	95.68	Production and sale of cement
Qufu China United Cement Company Limited	RMB130,000,000	**–**	–	**90.00**	90.00	Production and sale of cement
Linyi China United Cement Company Limited	RMB165,200,000	**–**	–	**100.00**	100.00	Production and sale of cement
Zaozhuang China United Cement Company Limited	RMB175,000,000	**–**	–	**100.00**	100.00	Production and sale of cement
Xuzhou China United Cement Company Limited	RMB346,940,000	**–**	–	**100.00**	100.00	Production and sale of cement
South Cement Company Limited ("South Cement") (Note vi)	RMB1,000,000,000	**82.30**	80.00	**–**	–	Production and sale of cement
Zhe Jiang South Cement Company Limited	RMB1,000,000,000	**–**	–	**82.30**	80.00	Production and sale of cement
Shanghai South Cement Company Limited	RMB300,000,000	**–**	–	**82.30**	80.00	Production and sale of cement
Hunan South Cement Company Limited	RMB3,000,000,000	**–**	–	**82.30**	80.00	Production and sale of cement
Jiangxi South Cement Company Limited	RMB3,000,000,000	**–**	–	**82.30**	80.00	Production and sale of cement
Guangxi South Cement Company Limited	RMB1,000,000,000	**–**	–	**82.30**	80.00	Production and sale of cement
North Cement Company Limited ("North Cement")	RMB4,000,000,000	**70.00**	70.00	**–**	–	Production and sale of cement

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company: Direct 2016 %	Direct 2015 %	Indirect 2016 %	Indirect 2015 %	Principal activities
Heilongjiang Binzhou Cement Company Limited ("Binzhou Cement")	RMB50,000,000	**–**	–	**70.00**	70.00	Production and sale of cement
South West Cement Company Limited ("Southwest Cement")	RMB10,000,000,000	**70.00**	70.00	**–**	–	Production and sale of cement
Chongqing Southwest Cement Company Limited	RMB2,000,000,000	**–**	–	**70.00**	70.00	Production and sale of cement
China Composites Group Corporation Limited ("China Composites")	RMB350,000,000	**100.00**	100.00	**–**	–	Production and sale of composite materials
Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited	RMB261,307,535	**–**	–	**62.96**	62.96	Production and sale of composite materials
Changzhou China Composites Liberty Company Limited	RMB180,000,000	**–**	–	**75.00**	75.00	Production and sale of PVC tiles
China Triumph International Engineering Company Limited ("China Triumph") (Note (vii))	RMB220,000,000	**91.00**	93.09	**–**	–	Provision of engineering services
CTIEC Shenzhen Triumph Scienotech Engineering Company Limited (Note (viii))	RMB5,000,000	**–**	–	**66.43**	67.96	Provision of engineering services
CTIEC Nanjing Triumph International Engineering Company Limited (Note (iv, viii)	RMB100,000,000	**–**	–	**46.55**	47.48	Provision of engineering services
CTIEC BengBu Triumph Scienotech Engineering Company Limited (Note (viii))	RMB30,000,000	**–**	–	**91.00**	93.09	Provision of engineering services
CNBM Investment Company Limited	RMB500,000,000	**100.00**	100.00	**–**	–	Sale of lightweight building materials

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Notes:

(i) The paid-in capital of BNBM represents the issued ordinary listed share capital and paid-in capital of the rest of the companies represents registered capital.

(ii) BNBM is a joint stock company listed on the Shenzhen Stock Exchange.

(iii) 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復》), 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.

After that, the Group's effective equity interests in BNBM were diluted from 45.2% to 35.73%. BNBM is controlled by the Group by virtue of the dominant voting interest in BNBM, dispersion of holding of other vote holders, participation rate of shareholders and previous shareholders' meetings.

(iv) The entity is considered to be controlled by the Company because it is a subsidiary of another Company's subsidiary.

(v) As mentioned in note (iii), on 14 October 2016, BNBM acquired 35% additional shareholding of Taishan Gypsum. After that, Taishan Gypsum is a wholly-owned subsidiary of BNBM. The Company's effective equity interest in Taishan Gypsum increased from 29.38% to 35.73% indirectly. For details, please refer to note 39(a).

(vi) During the year ended 31 December 2016, The Company acquired additional issued shares of South Cement at a consideration of approximately RMB458 million. After that, the Company's effective equity interest in South Cement increased from 80% to 82.3%.

(vii) During the year ended 31 December 2016, non-controlling parties of China Triumph injected RMB11.20 million as registered capital. After that, the Company's effective equity interest in China Triumph were diluted from 93.09% to 91%. For details, please refer to note 39(b).

(viii) The decrease in indirect equity interest attributable to the Company was merely due to the capital injection in China Triumph as mentioned in note (vii) above.

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

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) South Cement and its subsidiaries

	2016 ***RMB'000***	2015 *RMB'000*
Current assets	**28,496,422**	28,991,111
Non-current assets	**62,152,338**	62,683,656
Current liabilities	**(53,333,480)**	(56,388,279)
Non-current liabilities	**(16,638,806)**	(14,341,473)
Non-controlling interests	**(4,539,583)**	(5,061,850)
Equity attributable to owners of the Company	**16,136,891**	15,883,165
Revenue	**33,158,777**	35,138,351
Expenses	**(32,813,500)**	(34,724,705)
Profit for the year	**345,277**	413,646
Profit attributable to owners of the Company	**210,028**	248,500
Profit attributable to the non-controlling interests	**135,249**	165,146
Profit for the year	**345,277**	413,646
Other comprehensive (expenses)/income attributable to owners of the Company	**(9,945)**	18,061
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive (expenses)/income for the year	**(9,945)**	18,061
Total comprehensive income for the year	**335,332**	431,707

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. *(continued)*

(i) South Cement and its subsidiaries *(continued)*

	2016 RMB'000	2015 RMB'000
Total comprehensive income attributable to owners of the Company	**200,083**	266,561
Total comprehensive income attributable to the non-controlling interests	**135,249**	165,146
Total comprehensive income for the year	**335,332**	431,707
Dividends paid to non-controlling interests	**204,566**	217,880
Net cash inflow from operating activities	**7,265,356**	2,830,522
Net cash outflow from investing activities	**(2,267,285)**	(1,279,479)
Net cash outflow from financing activities	**(4,957,289)**	(1,691,379)
Net cash inflow/(outflow)	**40,782**	(140,336)

(ii) Southwest Cement and its subsidiaries

	2016 RMB'000	2015 RMB'000
Current assets	**17,638,779**	15,577,382
Non-current assets	**57,701,460**	56,098,807
Current liabilities	**(54,091,138)**	(47,114,138)
Non-current liabilities	**(8,476,564)**	(11,600,322)
Non-controlling interests	**(4,077,004)**	(4,147,939)
Equity attributable to owners of the Company	**8,695,533**	8,813,790
Revenue	**19,146,387**	19,225,140
Expenses	**(18,641,960)**	(18,667,704)
Profit for the year	**504,427**	557,436

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. *(continued)*

(ii) Southwest Cement and its subsidiaries *(continued)*

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**351,640**	381,119
Profit attributable to the non-controlling interests	**152,787**	176,317
Profit for the year	**504,427**	557,436
Other comprehensive income attributable to owners of the Company	**–**	–
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive income for the year	**–**	–
Total comprehensive income attributable to owners of the Company	**351,640**	381,119
Total comprehensive income attributable to the non-controlling interests	**152,787**	176,317
Total comprehensive income for the year	**504,427**	557,436
Dividends paid to non-controlling interests	**224,812**	210,939
Net cash inflow from operating activities	**3,807,218**	962,976
Net cash outflow from investing activities	**(1,440,083)**	(1,439,835)
Net cash (outflow)/inflow from financing activities	**(954,705)**	789,597
Net cash inflow	**1,412,430**	312,738

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. *(continued)*

(iii) BNBM and its subsidiaries

	2016 **RMB'000**	2015 RMB'000
Current assets	**4,738,047**	4,279,823
Non-current assets	**9,611,280**	9,324,546
Current liabilities	**(2,709,871)**	(3,250,764)
Non-current liabilities	**(1,176,249)**	(1,092,181)
Non-controlling interests	**(6,755,947)**	(5,735,349)
Equity attributable to owners of the Company	**3,707,260**	3,526,075
Revenue	**8,156,079**	7,551,179
Expenses	**(6,690,682)**	(6,335,398)
Profit for the year	**1,465,397**	1,215,781
Profit attributable to owners of the Company	**499,339**	405,388
Profit attributable to the non-controlling interests	**966,058**	810,393
Profit for the year	**1,465,397**	1,215,781
Other comprehensive income attributable to owners of the Company	**–**	–
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive income for the year	**–**	–
Total comprehensive income attributable to owners of the Company	**499,339**	405,388
Total comprehensive income attributable to the non-controlling interests	**966,058**	810,393
Total comprehensive income for the year	**1,465,397**	1,215,781
Dividends paid to non-controlling interests	**151,399**	349,962

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. *(continued)*

(iii) BNBM and its subsidiaries *(continued)*

	2016	2015
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**1,708,152**	1,909,120
Net cash outflow from investing activities	**(950,034)**	(1,396,294)
Net cash outflow from financing activities	**(421,438)**	(1,253,505)
Net cash inflow/(outflow)	**336,680**	(740,679)

21 INTERESTS IN ASSOCIATES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Cost of investments in associates		
– listed in the PRC	**1,594,123**	1,829,881
– unlisted	**4,361,911**	4,373,515
Share of post-acquisition profit, net of dividend received	**4,759,119**	4,144,577
	10,715,153	10,347,973
Fair value of listed investments	**9,689,119**	7,605,620
Share of profits of associates	**763,260**	331,171

As at 31 December 2016, the cost of investments in associates included goodwill of associates of approximately RMB854.56 million (2015: approximately RMB1,045.83 million).

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the associates of the Group as at 31 December 2016, which in the opinion of the directors are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of associate	Nominal value of registered capital	Attributable direct equity interest to the Group 2016 %	2015 %	Principal activities
China Jushi Co., Ltd ("China Jushi") (Note i)	RMB2,432,157,534	**26.97**	26.97	Production of glass fiber
Shangdong Quan Xing China United Cement Company Limited ("Shangdong Quan Xing")	RMB2,000,000,000	**49.00**	49.00	Sales and production of cement
Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") (Note ii)	RMB1,000,000,000	**50.00**	50.00	Production of cement
Shanghai Yaohua Pikington Glass Group Co. Ltd ("Shanghai Yaohua") (Note iii)	RMB934,776,264	**12.74**	12.74	Production of glass fiber
Gansu Shangfeng Cement Co. Ltd. ("Gansu Shangfeng") (Note iv)	RMB813,619,871	**16.85**	21.74	Production of cement

Notes:

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

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

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

(iv) Gansu Shangfeng was considered as an associate of the Group because South Cement has virtue of its contractual right to appoint director on its board.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(a) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

China Jushi

	2016 *RMB'000*	2015 *RMB'000*
Current assets	**8,212,472**	9,887,569
Non-current assets	**15,719,596**	14,196,059
Current liabilities	**(9,462,149)**	(8,810,061)
Non-current liabilities	**(3,422,013)**	(5,480,111)
Non-controlling interests	**(81,657)**	(4,152)
Revenue	**7,446,334**	7,054,787
Profit for the year	**1,528,719**	986,532
Other comprehensive income for the year	**72,923**	26,174
Total comprehensive income for the year	**1,601,642**	1,012,706
Dividends received from the associate during the year	**93,034**	48,689

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

	2016 *RMB'000*	2015 *RMB'000*
Net assets of the associate	**10,966,249**	9,789,304
Proportion of the Group's ownership interest in China Jushi	**26.97%**	26.97%
Group's share of net assets of the associate	**2,957,597**	2,640,175
Goodwill	**18,693**	18,693
Carrying amount of the Group's interest in China Jushi	**2,976,290**	2,658,868

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(b) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Shangdong Quan Xing

	2016 *RMB'000*	2015 *RMB'000*
Current assets	**1,271,274**	1,557,467
Non-current assets	**3,725,566**	3,867,850
Current liabilities	**(1,910,721)**	(1,489,910)
Non-current liabilities	**(813,204)**	(1,651,820)
Non-controlling interest	**(146,996)**	–
Revenue	**1,482,697**	1,178,021
Profit for the year	**79,303**	110,644
Total comprehensive income for the year	**79,303**	110,644
Dividends received from the associate during the year	**–**	42,271

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shangdong Quan Xing recognised in the consolidated financial statements:

	2016 *RMB'000*	2015 *RMB'000*
Net assets of the associate	**2,125,919**	2,283,587
Proportion of the Group's ownership interest in Shangdong Quan Xing	**49%**	49%
Carrying amount of the Group's interest in Shangdong Quan Xing	**1,041,700**	1,118,958

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

(c) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Nanfang Wannianqing

	2016	2015
	RMB'000	*RMB'000*
Current assets	**1,637,088**	1,550,736
Non-current assets	**3,027,889**	3,201,155
Current liabilities	**(1,449,380)**	(1,770,309)
Non-current liabilities	**(404,717)**	(549,632)
Non-controlling interests	**(625,579)**	–
Revenue	**3,308,881**	3,277,982
Profit for the year	**403,289**	184,537
Total comprehensive income for the year	**403,289**	184,537
Dividends received from the associate during the year	**–**	300,000

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

	2016	2015
	RMB'000	*RMB'000*
Net assets of the associate	**2,185,301**	2,431,950
Proportion of the Group's ownership interest in Nanfang Wannianqing	**50%**	50%
Carrying amount of the Group's interest in Nanfang Wannianqing	**1,092,651**	1,215,975

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

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

	2016 **RMB'000**	2015 RMB'000 (Restated)
The Group's share of profits/(losses) from continuing operations	**176,207**	(81,323)
The Group's share of other comprehensive (expenses)/income	**(5,191)**	11,957
The Group's share of total comprehensive income/(expenses)	**171,016**	(69,366)
Aggregate carrying amount of the Group's interests in these associates	**5,604,512**	5,354,172

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Available-for-sale financial assets:		
– Unlisted equity shares, at cost (Note i)	**995,376**	896,963
– Listed equity shares listed in Hong Kong (Note ii)	**1,581,129**	1,898,232
– Listed equity shares listed outside Hong Kong	**563,148**	668,448
	3,139,653	3,463,643

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
The carrying amount of available-for-sale financial assets are analysed as follows:		
Non-current portion	**3,095,655**	3,331,163
Current portion	**43,998**	132,480
	3,139,653	3,463,643

Note i: The available-for-sale financial assets are accounted for at cost less accumulated impairment losses as the range of reasonable fair value estimated is so significant that the management of the opinion that their fair values cannot be reliably measured.

Note ii: Included in the amount, RMB833.52 million (2015: RMB1,061.26 million) represents shares of Shanshui Cement. Shanshui Cement was previously an associate of the Group. At 1 December 2015, the directors appointed by the Group in the Board of director of Shanshui Cement have been removed, and therefore the Group has lost the power to participate in the financial and operating policy decisions of Shanshui Cement, and reclassified as available-for-sale financial assets.

At the date when Shanshui Cement ceased to be an associate, the fair value of the retained interest shall be regarded as its fair value on initial recognition as available-for-sale financial assets.

As at 31 December 2016, the Group has pledged listed equity shares listed in Hong Kong with the carrying amount of approximately RMB1,026.47 (2015: RMBNil) to secure bank borrowings granted to the Group. In addition, share of Shanshui Cement with carrying amount of RMB833.52 million are subject to the negative pledge covenant in relation to a bank borrowing of HKD1,450.00 million (equivalent to RMB1,214.81 million.)

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Held-for-trading investments at market value:		
– Quoted investment funds listed outside Hong Kong	**234**	247
– Quoted listed equity shares listed outside Hong Kong	**1,703,180**	1,773,336
	1,703,414	1,773,583
Unlisted investments (Note)	**989,527**	1,310,760
	2,692,941	3,084,343

Note: During the year ended 31 December 2016, the Group entered into certain investments with certain financial institutions. The investments based on respective contracts have maturity dates within 3 months.

24 DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Investment deposits for acquisition of subsidiaries	**804,008**	826,577
Deposits paid to acquire property, plant and equipment	**2,108,902**	2,664,394
Deposits paid to acquire intangible assets	**266,093**	272,500
Deposits paid in respect of prepaid lease payments	**343,248**	449,707
	3,522,251	4,213,178

Note: The carrying amounts of the deposits approximate to their fair values.

25 INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Raw materials	**8,314,974**	8,030,955
Work-in-progress	**2,669,464**	2,842,248
Finished goods	**3,840,734**	3,912,432
Consumables	**379,606**	378,888
	15,204,778	15,164,523

26 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 (Note 28)	**6,109,450**	4,836,005
Prepaid lease payments (Note 16)	**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

26 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

(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 **RMB'000**	2015 *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 **RMB'000**	2015 *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 **RMB'000**	2015 *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.

27 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2016 **RMB'000**	2015 *RMB'000* (Restated)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**2,457,488**	3,044,471
– Associates	**498,554**	646,565
– Immediate holding company	**34,896**	–
– Non-controlling interests of subsidiaries	**738,494**	573,915
	3,729,432	4,264,951
Non-trading in nature:		
– Fellow subsidiaries	**1,720,773**	2,283,511
– Associates	**5,824,242**	5,238,277
– Immediate holding company	**1,078**	78,417
– Non-controlling interests of subsidiaries	**652,730**	829,787
	8,198,823	8,429,992
	11,928,255	12,694,943
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**846,010**	1,100,372
– Associates	**182,477**	235,685
– Immediate holding company	**–**	3,230
– Non-controlling interests of subsidiaries	**93,451**	521,411
	1,121,938	1,860,698
Non-trading in nature:		
– Fellow subsidiaries	**75,124**	131,448
– Associates	**80,343**	23,666
– Immediate holding company	**4,231,967**	5,115,751
– Non-controlling interests of subsidiaries	**549,022**	211,377
	4,936,456	5,482,242
	6,058,394	7,342,940

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

The carrying amounts of amounts due from and to related parties approximate to their fair values. All amounts are unsecured and repayable on demand. The trading nature portion of amounts due from and to related parties is aged within one year.

As at 31 December 2016, amounts due from related parties of approximately RMB7,398.84 million (2015: approximately RMB6,135.16 million) carry the variable interest rate of 4.75% (2015: 4.35%) per annum. The remaining balances of amounts due from related parties are interest- free.

As at 31 December 2016, amounts due to related parties of approximately RMB4,634.27 million (2015: approximately RMB5,597.07 million) carry the fixed interest rate of 5.31% (2015: 5.64%) per annum. The remaining balances of amounts due to related parties are interest-free.

28 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Contracts in progress at reporting date analysed for reporting purposes as:		
Contract costs incurred plus recognised profits less recognised losses to date	**21,780,171**	18,781,988
Less: progress billings	**(16,166,299)**	(14,437,401)
	5,613,872	4,344,587
Amounts due from contract customers included in trade and other receivables (Note 26)	**6,109,450**	4,836,005
Amounts due to contract customers included in trade and other payables (Note 30)	**(495,578)**	(491,418)
	5,613,872	4,344,587

As at 31 December 2016, advances received from customers for contract work amounted to approximately RMB495.58 million (2015: approximately RMB491.42 million) are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 26, amounted to approximately RMB236.96 million (2015: approximately RMB234.60 million).

29 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Cash and cash equivalents/pledged bank deposits denominated in non-functional currencies of the relevant Group entities are as follows:

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
USD	**575,681**	276,104
EUR	**136,052**	169,658
JPY	**27,004**	14,704
PGK	**1,294**	33,149
SAR	**5,226**	8,154
HKD	**355,939**	316,891
VND	**17,572**	5,730
AUD	**2,854**	5,138
GBP	**101,188**	1,161
Others	**83,466**	42,559
	1,306,276	873,248

As at 31 December 2016, the Group pledged approximately RMB7,973.77 million (2015: approximately RMB5,746.30 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.30% to 3.30% (2015: range from 0.15% to 3.20%) per annum.

30 TRADE AND OTHER PAYABLES

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

	2016 **RMB'000**	2015 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 (Note 28)	**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 are aged within six months.

31 BORROWINGS

	2016 **RMB'000**	2015 RMB'000 (Restated)
Bank borrowings:		
– Secured	**3,544,159**	2,241,098
– Unsecured	**108,071,345**	96,692,673
	111,615,504	98,933,771
Bonds	**72,000,000**	74,900,000
Borrowings from other financial institutions	**1,679,319**	1,093,000
	185,294,823	174,926,771
Analysed for reporting purposes:		
Non-current	**44,492,436**	30,501,188
Current	**140,802,387**	144,425,583
	185,294,823	174,926,771

31 BORROWINGS *(CONTINUED)*

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

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Fixed rate bank borrowings repayable:		
Within one year	**45,939,032**	36,448,170
Between one and two years	**2,257,173**	2,466,419
Between two and three years	**3,875,265**	901,042
Between three and four years	**450,396**	242,169
Between four and five years	**7,435**	82,120
More than five years	**2,277,513**	84,758
	54,806,814	40,224,678
Variable rate bank borrowings repayable:		
Within one year	**45,407,620**	46,416,463
Between one and two years	**5,038,458**	5,431,681
Between two and three years	**5,042,955**	4,378,253
Between three and four years	**671,069**	204,993
Between four and five years	**383,852**	1,202,888
More than five years	**264,736**	1,074,815
	56,808,690	58,709,093

	2016	2015
Effective interest rate per annum:		
Fixed rate borrowings	**1.00% to 6.87%**	1.40% to 7.8%
Variable rate borrowings	**1.00% to 6.87%**	1.47% to 5.88%

The carrying amount of borrowings approximate to their fair value.

As at 31 December 2016, bank borrowings of approximately RMB555.16 million (2015: approximately RMB390.00 million) were guaranteed by independent third parties.

31 BORROWINGS *(CONTINUED)*

The borrowings denominated in AUD, EUR, USD and HKD of approximately RMB5.16 million, RMB149.25 million, RMB1,678.70 million and RMB2,900.86 million respectively (2015: approximately RMB nil million, RMB56.28 million, RMB1,354.04 million and RMB1,508.04 million respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB3,544.16 million on (2015: approximately RMB2,241.10 million) are secured by the following assets of the Group:

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Property, plant and equipment (Note 15)	**11,360,082**	8,133,581
Prepaid lease payments (Note 16)	**196,932**	191,723
Available-for-sale financial assets (Note 22)*	**1,026,473**	–
Cash and cash equivalents (Note 29)	**7,973,769**	5,746,301
Trade receivables (Note 26)	**781,432**	328,313
Bills receivable (Note 26)	**46,070**	44,987
	21,384,758	14,444,905

* In addition, shares of Shanshui Cement with carrying amount of RMB833.52 million are subject to the negative pledge convenant in relation to a bank borrowing of HKD1,450.00 million (equivalent to RMB1,214.81 million.)

32 DEFERRED INCOME TAX

The following are the major deferred income tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustments on available-for-sale investment *RMB'000*	Fair value adjustments on properties *RMB'000*	Fair value adjustments on intangible assets *RMB'000*	Fair value adjustments on prepaid lease payments *RMB'000*	Write down of inventories and trade and other receivables *RMB'000*	Impairment for properties *RMB'000*	Tax losses *RMB'000*	Financial guarantee contracts *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2015:										
– As previously reported	(104,126)	(736,288)	(1,132,156)	(353,301)	390,159	857,375	1,722,476	16,087	363,392	1,023,618
– Adjustment for business combination under common control	–	–	–	–	–	–	–	–	–	–
As restated	(104,126)	(736,288)	(1,132,156)	(353,301)	390,159	857,375	1,722,476	16,087	363,392	1,023,618
Arising from acquisition of subsidiaries (Note 38(a))	(3,027)	(8,273)	(1,590)	–	38,628	83	–	–	(36,050)	(10,229)
Arising from disposal of subsidiaries (Note 38(b))	–	–	–	–	(1,964)	–	–	–	–	(1,964)
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	28,005	61,547	38,452	–	56,395	(39,403)	720,028	–	(14,584)	850,440
Credit to the consolidated other comprehensive income (Note 12(b))	29,587	–	–	–	–	–	–	–	–	29,587
As at 31 December 2015 (Restated) and 1 January 2016	(49,561)	(683,014)	(1,095,294)	(353,301)	483,218	818,055	2,442,504	16,087	312,758	1,891,452
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	(93,368)	24,230	(1,352)	–	181,058	28,555	593,922	–	13,154	746,199
Credit to the consolidated other comprehensive income (Note 12(b))	3,315	–	–	–	–	–	–	–	–	3,315
As at 31 December 2016	**(139,614)**	**(658,784)**	**(1,096,646)**	**(353,301)**	**664,276**	**846,610**	**3,036,426**	**16,087**	**325,912**	**2,640,966**

32 DEFERRED INCOME TAX *(CONTINUED)*

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
For presentation purpose:		
Deferred income tax assets	**4,821,436**	4,015,509
Deferred income tax liabilities	**(2,180,470)**	(2,124,057)
	2,640,966	1,891,452

The Group has unused tax losses were not recognised as deferred income tax assets due to the unpredictability of future profits streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Unused tax losses expiring in:		
2016	**–**	501,380
2017	**2,114,986**	2,079,282
2018	**2,694,408**	2,631,921
2019	**2,811,533**	2,979,784
2020	**3,558,890**	4,646,818
2021	**3,078,955**	–
	14,258,772	12,839,185

33 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2016, certain fixtures and equipment are under finance leases. The average lease term is 1 to 9 years (2015: 2 to 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at range of 3.24% to 8% (2015: 4% to 7.57%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		**Present value of minimum lease payments**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Amounts payable under finance leases:				
Within one year	**5,304,270**	4,865,900	**4,935,082**	4,456,608
More than one year but less than two years	**7,931,328**	4,255,417	**7,275,980**	3,946,763
More than two years but less than five years	**7,507,297**	15,429,282	**6,865,514**	14,203,567
	20,742,895	24,550,599	**19,076,576**	22,606,938
Less: future finance charge	**(1,666,319)**	(1,943,661)	**N/A**	N/A
Present value of lease obligations	**19,076,576**	22,606,938	**19,076,576**	22,606,938
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(4,935,082)**	(4,456,608)
			14,141,494	18,150,330

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

34 FINANCIAL GUARANTEE CONTRACTS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
As at 1 January and 31 December	**56,981**	56,981

Subsidiaries had guaranteed bank borrowings of former related parties which are independent to the Group. The fair value of the guarantees granted amounting to approximately RMB57 million (2015: approximately RMB57 million) is recognised as a liability.

The carrying amount of financial guarantee contracts are analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current portion	**56,981**	56,981

35 SHARE CAPITAL

	Domestic Shares *(Note (a))*		**H Shares *(Note (b))***		
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Total capital**
		RMB'000		*RMB'000*	*RMB'000*
Registered and paid up shares of RMB1.0 each					
As at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

There are no movements in share capital during the years ended 31 December 2016 and 2015.

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares subscribed for and credited as fully paid up in RMB by persons other than PRC government and/or PRC incorporated entities only.

Other than the specific requirements on the holders of the shares as set out in Notes (a) and (b), the shares mentioned above rank pari passu in all respects with each other.

36 RESERVES

(a) Statutory surplus reserve fund

According to relevant laws and regulations of the PRC, the Company and its subsidiaries established in the PRC are required to make an appropriation at the rate of 10 percent of the profit after income tax of the respective company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve fund until the balance has reached 50 percent of the registered capital of the respective company. Upon approved from the authorities, the statutory surplus reserve fund can be used to offset accumulated losses or to increase share capital, when it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25 percent of the share capital.

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period.

37 PERPETUAL CAPITAL INSTRUMENTS

On 15 November 2016, 6 November 2015 and 3 November 2014, the Group issued the perpetual interest-bearing debentures in an aggregate principal amounts of RMB12,000 million with a coupon rate of 4.30%, 4.63% and 5.70% for the first five interest-bearing years. The net proceeds after deducting the issuance cost amounted to approximately RMB1,998 million, RMB4,954 million and RMB4,955 million, respectively. Unless a mandatory interest payment event has occurred, on each interest payment date of the perpetual interest-bearing debentures, the Group can elect to defer payment of interest due and all interest deferred pursuant to this term and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The aforesaid deferral of interest shall not constitute a default by the Group. Interest shall accrue on the deferred interest at the prevailing coupon rate over the period of deferral. The perpetual interest-bearing debentures have no maturity date and will continue indefinitely until redeemed by the Group in accordance with their terms. The Group is entitled to redeem the perpetual capital instruments at par value plus payable interest (including all deferred interest) on the fifth and each of the subsequent interest payment dates of the perpetual interest-bearing debentures. If the Group does not exercise the right of redemption, the coupon rate will be reset every five years from the sixth interest-bearing year onwards.

Interest payment of RMB516.50 million (2015: RMB285.00 million) has been paid by the Group to the holders of this perpetual capital instrument for the year ended 31 December 2016.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries not under common control

In the year of 2016, the Group acquired 2 (2015: 7) subsidiaries and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the equity investment management and production and sale of wind turbines.

These acquisitions have been accounted for using the acquisition method.

Summary of net assets acquired in the transactions during the year, and the goodwill arising, are as follows:

	2016	2015
	Fair value	Fair value
	RMB'000	*RMB'000*
Net assets acquired:		
Property, plant and equipment (Note 15)	**142,966**	463,848
Investment properties (Note 17)	**–**	18,147
Intangible assets (Note 19)	**–**	38,893
Prepaid lease payments (Note 16)	**93,602**	53,244
Available-for-sales financial assets	**1,000**	–
Deferred income tax assets (Note 32)	**–**	38,711
Inventories	**416**	921,066
Trade and other receivables	**1,311,550**	195,515
Amounts due from the related parties	**–**	5,800
Pledged bank deposits	**5,500**	–
Cash and cash equivalents	**30,427**	39,221
Trade and other payables	**(1,427,071)**	(922,865)
Current income tax liabilities	**(2,585)**	(56,245)
Borrowings	**–**	(71,000)
Obligations under finance leases	**(16,450)**	(6,280)
Deferred income tax liabilities (Note 32)	**–**	(48,940)
Net assets	**139,355**	669,115
Non-controlling interests	**(17,594)**	(101,586)
Discount on acquisition of interests in subsidiaries (Note 8)	**(3,097)**	(34,080)
Interest transferred from available-for-sales financial assets	**(300)**	–
Goodwill (Note 18)	**–**	148,108
Total consideration	**118,364**	681,557

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2016	2015
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**–**	614,857
Other payables	**–**	66,700
Trade receivables	**118,364**	–
	118,364	681,557
Net cash inflow/(outflow) arising on acquisition:		
Cash consideration paid	**–**	(614,857)
Less: Cash and cash equivalents acquired	**30,427**	39,221
	30,427	(575,636)

The goodwill mainly arising on the acquisition of these companies is attributable to the benefit of expected revenue growth and future market development, the PRC and the synergies in consolidating the Group's cement and concrete operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The discount on acquisition was the result of losses incurred by those subsidiaries in prior years' operations and the additional capital to be injected by the Group required to expand the production facilities in future.

Included in the revenue and loss for the year are approximately RMB7.4 million and RMB11.6 million respectively attributable to the additional business mainly generated by these newly acquired equity investment management company.

Had these business combinations been effected at 1 January 2016, the revenue of the Group would be approximately RMB101,546.78 million and profit for the year of the Group would be approximately RMB2,817.56 million. The management of the Company considers these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Details of the Group's significant acquisitions during the year are as follows:

華銳風電科技集團(上海)有限公司

On 31 December 2016, the Group acquired 100% of the equity interests of 華銳風電科技集團(上海)有限公司 for the consideration of approximately RMB118 million. The acquired subsidiary is principally engaged in the production and sale of wind turbines.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2016 Fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	**142,966**
Prepaid lease payments	**93,602**
Inventories	**416**
Trade and other receivables	**7,635**
Pledged bank deposit	**5,500**
Cash and cash equivalents	**737**
Trade and other payables	**(115,937)**
Obligations under finance lease	**(16,450)**
Net assets	**118,469**
Discounts on acquisition of interests in subsidiary	**(105)**
Total consideration	**118,364**

	2016 *RMB'000*
Total consideration satisfied by:	
Trade receivables	**118,364**
	118,364
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**737**

No revenue and profit for the period are included to be attributable to the additional business generated by acquired subsidiary.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries

During the year ended 31 December 2016, no disposal of subsidiaries was incurred. The net assets of the disposed subsidiaries in 2015 at the date of disposal were as follows:

	2016 **RMB'000**	2015 RMB'000
Net assets disposed of:		
Property, plant and equipment (Note 15)	–	20,267
Deferred income tax assets (Note 32)	–	1,964
Inventories	–	48,816
Trade and other receivables	–	95,973
Cash and cash equivalents	–	63,212
Trade and other payables	–	(35,694)
Current income tax liabilities	–	(261)
Non-controlling interests	–	1,969
Net assets disposal of	–	196,246
Consideration received:		
Investment in associates retained	–	228,954
Capital reserves	–	(1,624)
Less: net assets disposed of	–	(196,246)
Gain on disposal of subsidiaries (Note 8)	–	31,084
Net cash outflow of cash arising from disposal of subsidiaries:		
Cash and cash equivalents in subsidiaries disposed of	–	(63,212)
Net cash outflow from disposal of subsidiaries	–	(63,212)

39 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

For the year ended 31 December 2016, the Group acquired additional issued shares of 4 subsidiaries for a purchase consideration of approximately RMB4,988.05 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB2,313.35 million. The Group recognised a decrease in non-controlling interests of approximately RMB2,313.35 million and a decrease in equity attributable to owners of the Group of approximately RMB2,674.70 million.

	2016 ***RMB'000***	2015 *RMB'000*
Carrying amount of non-controlling interests acquired	**2,313,350**	385,478
Consideration paid to non-controlling interests	**(4,988,050)**	(122,923)
(Excess)/shortfall of consideration paid recognised within parent's equity	**(2,674,700)**	262,555

Details of the Group's significant acquisition of additional interests in subsidiaries during the year are as follows:

During the year ended 31 December 2016, the Group acquired additional issued shares of Shenyang Dexin Lihe Property Development Limited ("瀋陽德信利和房地產開發有限公司") for a consideration of approximately RMB9.93 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB-16.17 million. The Group recognised an increase in non-controlling interests of approximately RMB16.17 million and a decrease in equity attributable to owners of the Company of approximately RMB26.1 million.

During the year ended 31 December 2016, the Group acquired additional issued shares of South Cement for a consideration of approximately RMB458.04 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB450.99 million. The Group recognised a decrease in non-controlling interests of approximately RMB450.99 million and a decrease in equity attributable to owners of the Company of approximately RMB7.15 million.

On 14 October 2016, BNBM acquired 35% more shareholding of Taishan Gypsum with the contribution of approximately RMB4,195.50 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB1,654.47 million. The Group recognised a decrease in non-controlling interests of approximately RMB1,654.47 million and a decrease in equity attributable to owners of the Company of approximately RMB2,541.03 million.

39 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control

	2016 **RMB'000**	2015 RMB'000 (Restated)
Carrying amount of equity interest obtained by non-controlling interests	**(1,931,316)**	–
Capital contributed by non-controlling interests	**4,184,261**	–
Gain on disposal within equity	**2,252,945**	–

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the year are as follows:

During the year ended 31 December 2016, non-controlling parties of China Triumph injected RMB11.20 million as registered capital. After that, the Company's effective equity interest in China Triumph were diluted from 93.09% to 91%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB63.90 million and increase in non-controlling interests of approximately RMB75.10 million.

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復》), 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.

After that, the Group's effective equity interests in BNBM were diluted from 45.2% to 35.73%. BNBM is controlled by the Group by virtue of the dominant voting interest in BNBM, dispersion of holding of other vote holders, participation rate of shareholders and previous shareholders' meetings.

40 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 3.1 to the consolidated financial statements, the acquisition of New Energy has been accounted for based on merger accounting. Accordingly, the assets and liabilities of New Energy acquired by the Group have been accounted for at historical cost and the consolidated financial statements of the Group for year prior to the combination have been restated to include the financial position and results of operation of New Energy on a combined basis. The details of the restated balances are stated as below.

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2014 and 2015 are as follows:

2014

	The Group excluding New Energy *RMB'000*	New Energy *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Assets and liabilities				
Property, plant and equipment	126,019,321	21	–	126,019,342
Interests in associates	10,032,548	–	(16,518)	10,016,030
Other non-current assets	73,730,189	–	–	73,730,189
Trade and other receivables	60,972,479	867	–	60,973,346
Amounts due from related parties	11,090,427	42,650	–	11,133,077
Cash and cash equivalents	10,290,653	3,728	–	10,294,381
Other current assets	24,346,209	–	–	24,346,209
Trade and other payables	(51,271,781)	(73)	–	(51,271,854)
Other current liabilities	(147,852,173)	–	–	(147,852,173)
Other non-current liabilities	(50,380,641)	–	–	(50,380,641)
Net assets	66,977,231	47,193	(16,518)	67,007,906
Equity				
Share capital	5,399,026	50,000	(50,000)	5,399,026
Reserves	35,173,875	(2,807)	33,481	35,204,549
Owners of the Company	40,572,901	47,193	(16,519)	40,603,575
Perpetual capital instruments	5,000,125	–	–	5,000,125
Non-controlling interests	21,404,205	–	1	21,404,206
	66,977,231	47,193	(16,518)	67,007,906

40 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2014 and 2015 are as follows: *(continued)*

2015

	The Group excluding New Energy	New Energy	Adjustments	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities				
Property, plant and equipment	126,225,417	13	–	126,225,430
Interests in associates	10,364,548	–	(16,575)	10,347,973
Other non-current assets	76,145,086	–	–	76,145,086
Trade and other receivables	69,693,408	299	–	69,693,707
Amounts due from related parties	12,652,293	42,650	–	12,694,943
Cash and cash equivalents	10,579,535	4,510	–	10,584,045
Other current assets	24,127,647	–	–	24,127,647
Trade and other payables	(46,291,855)	(114)	–	(46,291,969)
Other current liabilities	(158,150,654)	–	–	(158,150,654)
Other non-current liabilities	(51,884,148)	–	–	(51,884,148)
Net assets	73,461,277	47,358	(16,575)	73,492,060
Equity				
Share capital	5,399,026	50,000	(50,000)	5,399,026
Reserves	36,499,449	(2,642)	19,850	36,516,657
Owners of the Company	41,898,475	47,358	(30,150)	41,915,683
Perpetual capital instruments	9,994,863	–	–	9,994,863
Non-controlling interests	21,567,939	–	13,575	21,581,514
	73,461,277	47,358	(16,575)	73,492,060

40 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2014 and 2015 are as follows: *(continued)*

2015

	The Group excluding New Energy *RMB'000*	New Energy *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Revenue	100,291,587	70,842	–	100,362,429
Cost of sales	(75,672,523)	(70,123)	–	(75,742,646)
Gross profit	24,619,064	719	–	24,619,783
Investment and other income	6,295,465	78	–	6,295,543
Selling and distribution costs	(7,109,776)	(600)	–	(7,110,376)
Administrative expense	(9,498,520)	(40)	–	(9,498,560)
Finance costs, net	(10,532,185)	8	–	(10,532,177)
Share of profits of associates	331,229	–	(58)	331,171
Profit before income tax	4,105,277	165	(58)	4,105,384
Income tax expense	(1,312,622)	–	–	(1,312,622)
Profit for the year	2,792,655	165	(58)	2,792,762
Profit attributable to:				
Owners of the Company	1,019,361	165	(65)	1,019,461
Holders of perpetual capital instruments	325,592	–	–	325,592
Non-controlling interests	1,447,702	–	7	1,447,709
	2,792,655	165	(58)	2,792,762

40 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The effect of the business combinations of entities under common control described above, on the Group's basic and dilutes earnings per share for the year ended 31 December 2015 is as follows:

	Impact on earnings per share *RMB*
Reported figures before restatement	0.19
Restatement arising from business combination of entities under common control	–
Restated	0.19

The effect of business combinations of entities under common control described above on the Group's net profit for the year ended 31 December 2015 is as follows:

	Group Net profit *RMB'000*
Reported figures before restatement	2,792,655
Restatement arising from business combination of entities under common control	107
Restated	2,792,762

41 CONTINGENT LIABILITIES AND LITIGATION

At the reporting date, the Group did not have any contingent liabilities of potential future payments under guarantees:

During the Reporting Period, save as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor was any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement dated 30 May 2010 by the Company reproducing the announcement of BNBM in respect of the gypsum board in the United States and the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third quarterly report, the 2015 annual report and the 2016 interim report of the Company setting out information on the subsequent development of the gypsum board litigation in the United States. The Company was notified by the Parent that an order was made by the Federal District Court of the Eastern District of Louisiana, the United States on 9 March 2016 (U.S. time) to dismiss the lawsuit filed by the plaintiff against the Parent.

The Company, BNBM and Taishan Gypsum have respectively engaged domestic and overseas lawyers to consider and assess the litigation strategies and defenses, as well as its impact on each of the parties above. At present, the economic loss of the Company and the impact on its profit for the current period (if any) that may result from the case cannot be accurately estimated. The Company will make further disclosure as and when necessary or appropriate based on the progress of the litigation.

42 COMMITMENTS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**1,024**	9,869
	1,024	9,869

43 OPERATING LEASE COMMITMENTS

Lessee

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within one year	**74,126**	78,070
In the second to fifth year inclusive	**201,627**	199,578
Over five years	**9,131**	22,884
	284,884	300,532

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen years (2015: fourteen years) and rentals are fixed for an average term of fourteen years (2015: fourteen years).

43 OPERATING LEASE COMMITMENTS *(CONTINUED)*

Lessor

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Within one year	**190,240**	53,577
In the second to fifth year inclusive	**149,070**	186,257
Over five years	**39,845**	68,651
	379,155	308,485

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2015: one year to twenty years).

44 RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised), "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include the Parent and its subsidiaries (other than the Group), other government-related entities and subsidiaries ("other stated-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

44 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties

The Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries (collectively the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries:

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Provision of production supplies to		
– The Parent Group	**1,336,627**	1,006,014
– Associates	**230,523**	151,636
– Non-controlling interests of subsidiaries	**98,601**	14,534
	1,665,751	1,172,184
Provision of support services to		
– The Parent Group	**1,686**	2,001
– Associates	**8,214**	–
	9,900	2,001
Rental income received from		
– The Parent Group	**57,478**	3,598
– Associates	**22,084**	20,916
	79,562	24,514
Rendering of engineering service to the Parent Group	**1,169**	314,334
Interest income received from Associates	**7,540**	2,880

44 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(continued)*

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Provision of production supplies by		
– The Parent Group	**445,203**	420,069
– Associates	**560,688**	263,702
– Non-controlling interests of subsidiaries	**108,840**	189
	1,114,731	683,960
Provision of support services by		
– The Parent Group	**3,907**	2,724
– Non-controlling interests of subsidiaries	**415**	–
	4,322	2,724
Supplying of equipment by the Parent Group	**34,193**	35,120
Rental expense paid to the Parent Group	**–**	820
Interest expense paid to non-controlling interests of subsidiaries	**2,193**	–
Provision of engineering services by the Parent Group	**24,389**	11,886

44 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(continued)*

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Supply of raw materials (limestone and clay) by the Parent Group	**3,525**	18,686
Supply of raw materials by the Parent Group	**–**	16,308

(b) Transactions and balances with other state-owned enterprises in the PRC

During the year ended 31 December 2016, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2016 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

44 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Short-term benefits	**4,785**	4,973
Post-employment benefits	**208**	180
	4,993	5,153

45 EMPLOYEE BENEFITS PLAN

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in Note 11.

46 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Information about the statement of financial position of the Company at the end of the reporting period includes:

	2016 ***RMB'000***	2015 *RMB'000*
Investments in subsidiaries	**27,164,097**	26,706,059
Other non-current assets	**2,199,907**	3,298,832
Amount due from subsidiaries	**62,966,611**	45,440,280
Other current assets	**832,166**	2,304,676
Non-current liabilities	**(20,379,661)**	(11,000,000)
Current liabilities	**(44,503,306)**	(41,331,051)
Net assets	**28,279,814**	25,418,796
Share capital (Note 35)	**5,399,026**	5,399,026
Reserves	**10,877,102**	10,024,907
Perpetual capital instruments	**12,003,686**	9,994,863
Total equity	**28,279,814**	25,418,796

46 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(b) Details of the changes in the company's individual components of reserves between the beginning and the end of the year are set out below:

	Share Capital	Share premium	Capital reserve	Fair value reserve (Note 36(b))	Statutory surplus reserve fund (Note 36(a))	Retained earnings	Total	Perpetual capital instruments (Note 37)	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	5,399,026	4,824,481	501,310	106,821	923,865	3,273,833	15,029,336	5,000,125	20,029,461
Net profit for the year	–	–	–	–	–	1,387,308	1,387,308	325,592	1,712,900
Other comprehensive income for the year	–	–	–	(101,872)	–	–	(101,872)	–	(101,872)
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	4,954,146	4,954,146
Dividends (Note 13)	–	–	–	–	–	(890,839)	(890,839)	–	(890,839)
Appropriation to statutory reserve	–	–	–	–	180,602	(180,602)	–	–	–
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	(285,000)	(285,000)
Balance at 31 December 2015 and 1 January 2016	5,399,026	4,824,481	501,310	4,949	1,104,467	3,589,700	15,423,933	9,994,863	25,418,796
Net profit for the year	–	–	–	–	–	1,051,655	1,051,655	527,103	1,578,758
Other comprehensive income for the year	–	–	–	304	–	–	304	–	304
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	1,998,220	1,998,220
Dividends (Note 13)	–	–	–	–	–	(199,764)	(199,764)	–	(199,764)
Appropriation to statutory reserve	–	–	–	–	189,391	(189,391)	–	–	–
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	(516,500)	(516,500)
Balance at 31 December 2016	5,399,026	4,824,481	501,310	5,253	1,293,858	4,252,200	16,276,128	12,003,686	28,279,814

47 EVENTS AFTER THE BALANCE SHEET DATE

Reorganisation involving a controlling shareholder and the continuing connected transactions pursuant to Chapter 14A of the Listing Rules

References are made to the announcements of the Company dated 25 January 2016, 22 August 2016, 18 January 2017, 22 February 2017, 27 February 2017 and 8 March 2017 in relation to the proposed reorganisation involving the Parent (being the controlling shareholder of the Company) and Sinoma Group Corporation. Upon completion of the transaction in March 2017, Sinoma Group Corporation has become a connected person of the Company by virtue of becoming a wholly-owned subsidiary of the Parent. Before Sinoma Group Corporation becomes a connected person of the Company, members of the Group have entered into agreements with members of the Sinoma Group Corporation in the ordinary and usual course of business, which are of a revenue nature. The agreements and the transactions contemplated thereunder will constitute continuing transactions which have subsequently become continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the relevant agreements are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

Transfer of state-owned land use rights

On 18 January 2017, China Triumph (a 91% directly-owned subsidiary of the Company) and Bengbu China Opto electronics Technology Co., Ltd. (蚌埠中光電科技有限公司) ("Bengbu COE", a 55% indirectly-owned subsidiary of the Parent) entered into a transfer contract of state-owned land use rights. Pursuant to the contract, China Triumph agreed to transfer the land use rights of the land to Bengbu COE at a consideration of RMB65.05 million.

Details of the transfer of state-owned land use rights are set out in the announcement of the Company dated 18 January 2017. As at the date of this report, the transaction had been completed.

Capital contribution to Zhongfu Shenying Carbon Fiber Company Limited (中復神鷹碳纖維有限責任公司) ("Zhongfu Shenying")

On 23 January 2017, China Composites (a 100% directly-held subsidiary of the Company), Lianyungang Yingyou Textile Machinery Group Co., Ltd. (連雲港鷹遊紡機集團有限公司), Jiangsu Aoshen Group Corporation Limited (江蘇奧神集團有限責任公司) and CNBM United (a 100% directly-held subsidiary of the Parent), being shareholders of Zhongfu Shenying (a company 27.12% indirectly held by the Company through China Composites), entered into the Capital Contribution Agreement (the "Capital Contribution Agreement"), pursuant to which, it has been agreed that parties to the Capital Contribution Agreement shall make a capital contribution to Zhongfu Shenying in cash according to their respective shareholding on a pro rata basis. Upon completion of the capital contribution, the shareholding of China Compositesin Zhongfu Shenying will remain at 27.12% of the enlarged registered capital and the shareholding of CNBM United in Zhongfu Shenying will remain at 37.30% of the enlarged registered capital.

Details of the capital contribution to Zhongfu Shenying are set out in the announcement of the Company dated 23 January 2017. As at the date of this report, the transaction had yet to be completed.

Disposal of equity interest in CNBM (Tongcheng) New Energy Materials CompanyLimited (中國建材桐城新能源材料有限公司) ("Tongcheng NewEnergy") by China Triumph

On 7 February 2017, China Triumph (a 91% directly-owned subsidiary of the Company), Anhui Huaguang Photoelectric Materials Technology Group Co, Ltd.(安徽華光光電材料科技集團有限公司) ("Huaguang Group") and Bengbu Design & Research Institute for Glass Industry (蚌埠玻璃工業設計研究院) ("Bengbu Institute") entered into the Agreement for Asset Acquisition by Share Issuance with Luoyang Glass Company Limited (洛陽玻璃股份有限公司) ("Luoyang Glass", a subsidiary of the Parent, indirectly controlled by the Parent through Triumph Technology Group Company (凱盛科技集團公司) ("Triumph Group") as to 33.04%). Pursuant to the agreement, China Triumph, Huaguang Group and Bengbu Institute have conditionally agreed to sell, and Luoyang Glass has conditionally agreed to purchase, an aggregate of 100% equity interest in Tongcheng New Energy. The consideration will be satisfied by the consideration shares to be issued by Luoyang Glass.

Details of the disposal of equity interest in Tongcheng New Energy by China Triumph were disclosed in the announcement of the Company dated 7 February 2017. As at the date of this report, the transaction had yet to be completed.

Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	101,546,783	100,362,429	122,015,448	117,704,791	87,261,849
Cost of sales	(74,755,173)	(75,742,646)	(88,736,063)	(87,565,728)	(67,133,214)
Gross profit	**26,791,610**	24,619,783	33,279,385	30,139,063	20,128,635
Investment and other income	**3,637,098**	6,295,543	4,954,948	4,204,133	5,200,305
Selling and distribution costs	**(7,239,443)**	(7,110,376)	(7,760,986)	(6,929,481)	(3,884,286)
Administrative expenses	**(10,598,576)**	(9,498,560)	(9,049,500)	(8,134,970)	(5,475,327)
Finance costs – net	**(9,293,513)**	(10,532,177)	(10,856,262)	(9,306,091)	(6,506,096)
Share of profits of associates	**763,260**	331,171	985,426	630,473	459,679
Profit before income tax	**4,060,436**	4,105,384	11,553,011	10,603,127	9,922,910
Income tax expense	**(1,238,192)**	(1,312,622)	(2,881,364)	(2,291,150)	(2,186,887)
Profit for the year	**2,822,244**	2,792,762	8,671,647	8,311,977	7,736,023
Profit attributable to:					
Owners of the Company	**1,058,171**	1,019,461	5,919,541	5,761,954	5,578,758
Holders of perpetual capital instruments	**527,103**	325,592	45,125	–	–
Non-controlling interests	**1,236,970**	1,447,709	2,706,981	2,550,023	2,157,265
	2,822,244	2,792,762	8,671,647	8,311,977	7,736,023
Final dividend proposed	**232,158**	199,764	890,839	863,844	836,849
Extracts from the consolidated statement of financial position					
Total assets	**340,754,174**	329,818,831	316,512,574	291,678,669	246,481,409
Total liabilities	**(265,186,637)**	(256,326,771)	(249,504,668)	(238,055,578)	(202,369,548)
Perpetual capital instruments	**(12,003,686)**	(9,994,863)	(5,000,125)	–	–
Non-controlling interests	**(21,714,019)**	(21,581,514)	(21,404,206)	(18,197,483)	(13,568,629)
Equity attributable to owners of the Company	**41,849,832**	41,915,683	40,603,575	35,425,608	30,543,232