

Materials

Bring a Prosperous Life

Annual Report
2016



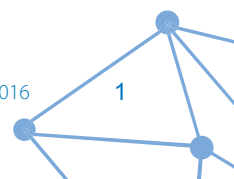
sinoma

China National Materials
Company Limited

A joint stock company incorporated in the People's Republic of China with limited liability
(Stock Code: 01893)

CONTENTS

CORPORATE INFORMATION	2
CORPORATE PROFILE	4
CORPORATE STRUCTURE	5
FINANCIAL SUMMARY	6
BUSINESS SUMMARY	7
CHAIRMAN'S STATEMENT	8
MANAGEMENT DISCUSSION AND ANALYSIS	10
BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	23
DIRECTORS' REPORT	30
SUPERVISORY COMMITTEE'S REPORT	45
CORPORATE GOVERNANCE REPORT	46
AUDITOR'S REPORT	59
CONSOLIDATED BALANCE SHEET	63
BALANCE SHEET OF THE COMPANY	66
CONSOLIDATED INCOME STATEMENT	68
INCOME STATEMENT OF THE COMPANY	70
CONSOLIDATED STATEMENT OF CASH FLOWS	71
STATEMENT OF CASH FLOWS OF THE COMPANY	72
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	73
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY	75
NOTES TO THE FINANCIAL STATEMENTS	77
DEFINITIONS	198



CORPORATE INFORMATION

As at 31 December 2016

DIRECTORS

Executive Directors

LIU Zhijiang (*Chairman*)
PENG Jianxin (*President*)

Non-executive Directors¹

LI Xinhua (*Vice-chairman*)
LI Jianlun
SHEN Yungang
WANG Fengting

Independent Non-executive Directors²

LEUNG Chong Shun
LU Zhengfei
WANG Zhulin

SUPERVISORS³

XU Weibing (*Chairman*)
ZHANG Hai
GUO Yanming
WANG Yingcai
QU Xiaoli

STRATEGY COMMITTEE⁴

LIU Zhijiang (*Chairman*)
LI Xinhua
PENG Jianxin

AUDIT COMMITTEE⁵

LU Zhengfei (*Chairman*)
LI Xinhua
WANG Zhulin

REMUNERATION COMMITTEE⁶

WANG Zhulin (*Chairman*)
LEUNG Chong Shun
LU Zhengfei

NOMINATION COMMITTEE⁷

LIU Zhijiang (*Chairman*)
LEUNG Chong Shun
LU Zhengfei

SECRETARY OF THE BOARD

GU Chao

JOINT COMPANY SECRETARIES

GU Chao
YU Leung Fai (HKICPA, AICPA and CPAA)

AUTHORISED REPRESENTATIVES

LIU Zhijiang
YU Leung Fai (HKICPA, AICPA and CPAA)

REGISTERED OFFICE AND PLACE OF BUSINESS

8th Floor, Tower 2
Guohai Plaza, 17 Fuxing Road
Haidian District
Beijing 100036, the PRC

PLACE OF BUSINESS IN HONG KONG

7th Floor, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

¹ On 29 July 2016, Mr. SHEN Yungang and Mr. WANG Fengting were appointed as non-executive Directors, and Mr. YU Shiliang, Mr. YU Guobo and Mr. TANG Baoqi ceased to be non-executive Directors. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

² On 29 July 2016, Mr. WANG Zhulin was appointed as an independent non-executive Director, and Mr. WANG Shimin and Mr. ZHOU Zude ceased to be independent non-executive Directors. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

³ On 29 March 2016, Mr. ZHANG Renjie resigned as a Supervisor due to change of work allocation. For details, please refer to the announcement of the Company published on 29 March 2016 on the websites of the Hong Kong Stock Exchange and the Company. On 24 May 2016, Mr. WANG Fengting was appointed as a Supervisor. For details, please refer to the announcement of the Company published on 24 May 2016 on the websites of the Hong Kong Stock Exchange and the Company. On 29 July 2016, Mr. WANG Fengting and Mr. WANG Jianguo ceased to be Supervisors, and Mr. ZHANG Hai and Mr. GUO Yanming were appointed as Supervisors. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁴ On 29 July 2016, Mr. LIU Zhijiang was appointed as the chairman of the Strategy Committee, and Mr. LI Xinhua and Mr. PENG Jianxin were appointed as members of the Strategy Committee. Mr. YU Shiliang, Mr. LI Jianlun, Mr. YU Guobo and Mr. ZHOU Zude ceased to be members of the Strategy Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁵ On 29 July 2016, Mr. LU Zhengfei was appointed as the chairman of the Audit Committee, and Mr. LI Xinhua and Mr. WANG Zhulin were appointed as members of the Audit Committee. Mr. WANG Shimin and Mr. YU Shiliang ceased to be members of the Audit Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁶ On 29 July 2016, Mr. WANG Zhulin was appointed as the chairman of the Remuneration Committee, and Mr. LEUNG Chong Shun and Mr. LU Zhengfei were appointed as members of the Remuneration Committee. Mr. WANG Shimin ceased to be a member of the Remuneration Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁷ On 29 July 2016, Mr. LIU Zhijiang was appointed as the chairman of the Nomination Committee, and Mr. LEUNG Chong Shun and Mr. LU Zhengfei were appointed as members of the Nomination Committee. Mr. WANG Shimin and Mr. ZHOU Zude ceased to be members of the Nomination Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

LEGAL ADVISORS

DLA Piper (*as to Hong Kong law*)
Jia Yuan Law Firm (*as to PRC law*)

AUDITOR⁸

ShineWing Certified Public Accountants LLP

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

01893

COMPANY WEBSITE

<http://www.sinoma-ltd.cn>

INVESTOR CONTACT

Tel: (8610)6813 9628
Fax: (8610)6813 9688
E-mail: ir@sinoma-ltd.cn

⁸ The annual general meeting of the Company for the year 2015 approved to cease to re-appoint SHINEWING (HK) CPA Limited as the international auditor of the Company, and approved to re-appoint ShineWing Certified Public Accountants LLP as the auditor of the Company for the year 2016. For details, please refer to the announcements of the Company published on 29 March 2016 and 24 May 2016 as well as the circular of the Company published on 6 April 2016 on the websites of the Hong Kong Stock Exchange and the Company.

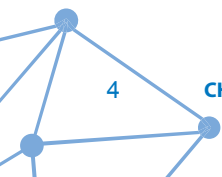
CORPORATE PROFILE

China National Materials Company Limited is a joint stock company approved by the State-owned Assets Supervision and Administration Commission of the State Council and established jointly by China National Materials Group Corporation Ltd. and other promoters. The Company was incorporated on 31 July 2007 and was listed on the Main Board of the Hong Kong Stock Exchange on 20 December 2007.

The Company is mainly engaged in cement equipment and engineering services, cement and high-tech materials businesses. The Company possesses series of core technologies such as glass fiber, composite materials, synthetic crystals, advanced ceramics and new dry process cement technology, with pioneering research and development capabilities, strong implementation capability for commercialisation of innovative technologies, successful mergers and acquisitions experience and unique business model.

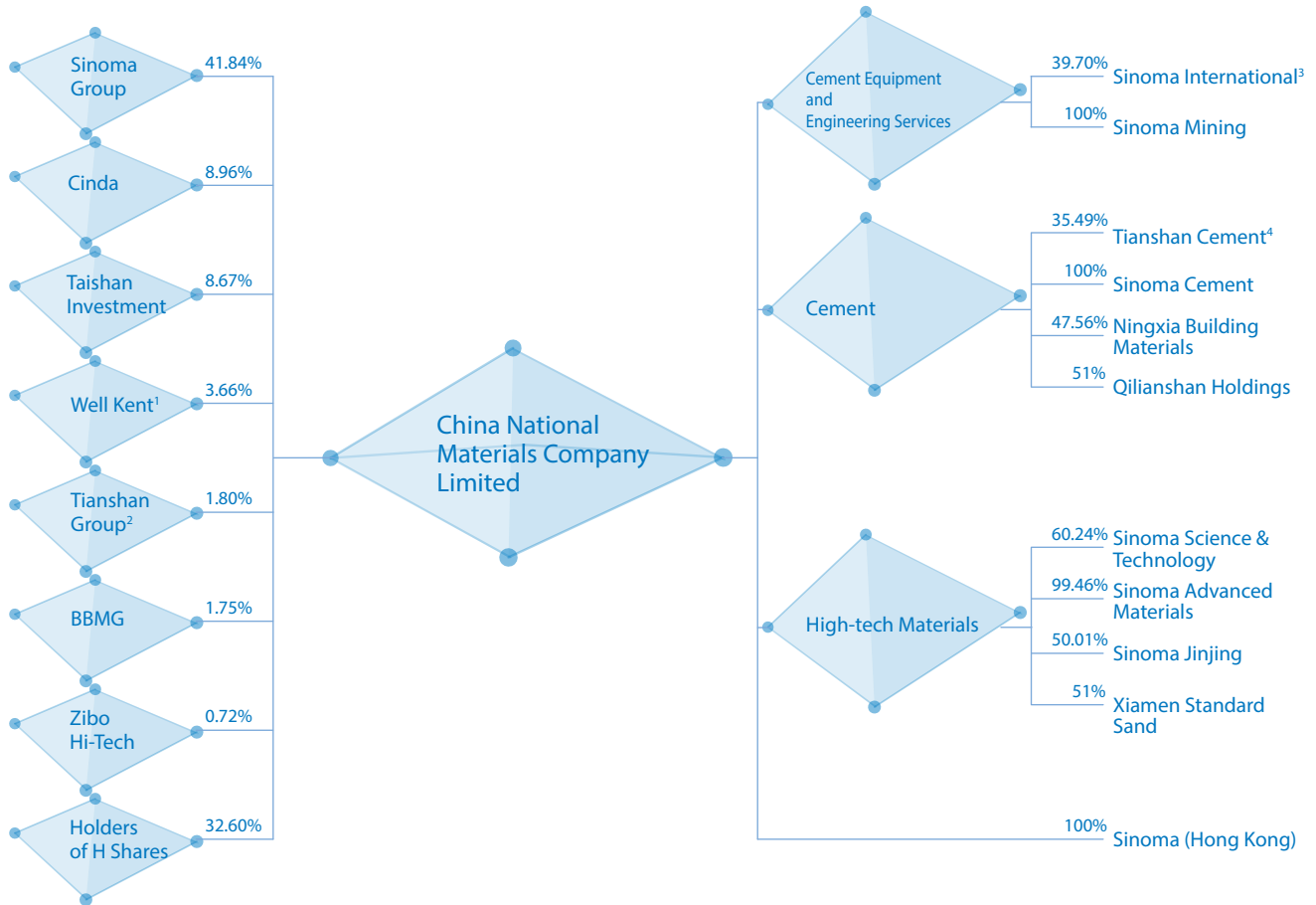
The Company is the largest provider of cement equipment and engineering services globally and is a leading producer of non-metal materials in the PRC. The Company is the only enterprise in the non-metal materials industry in the PRC with a business model that integrates research and development, industrial design, equipment manufacturing, engineering and construction services and production.

The Company is committed to maintaining sustainable development for the long term and continuously creates value for all our stakeholders including Shareholders, customers, employees and the society. The Company upholds our positioning as an innovative, international and value-added enterprise. We strive to become the leading provider of technology, core equipment and engineering and system integration services in the global cement engineering industry and to become a prominent developer and provider of non-metal materials and related products globally.



CORPORATE STRUCTURE

As at 31 December 2016



Notes:

- Well Kent is a wholly-owned subsidiary of Cinda. On 20 February 2017, China Securities Depository and Clearing Corporation Limited issued the Confirmation Letter for Securities Transfer and Registration (《過戶登記確認書》) in respect of the transfer by Well Kent of 130,793,218 unlisted foreign shares of the Company held by it to Forchn International Co., Limited ("Forchn International").
- Sinoma Group holds 50.95% equity interest in Tianshan Group.
- On 29 May 2015, Sinoma International resolved to issue no more than 64,516,129 subscription shares for raising proceeds of no more than RMB1,000,000,000 in aggregate by way of non-public offer. For details, please refer to the announcements of the Company published on 29 May 2015 and 25 November 2015 on the websites of the Hong Kong Stock Exchange and the Company respectively. As Sinoma International failed to complete the above-mentioned issue within the valid period of the written approval from CSRC, the approval made by CSRC in respect of the above-mentioned issue expired and terminated automatically.
- On 28 September 2016, the Company entered into the share subscription contract with Tianshan Cement, pursuant to which Tianshan Cement proposed to issue no more than 167,638,483 A Shares (inclusive) by way of private placement to the Company to raise proceeds of no more than RMB1,150 million (inclusive). As at the date of this report, the above-mentioned share subscription was not completed. For details, please refer to the announcement of the Company published on 28 September 2016 on the websites of the Hong Kong Stock Exchange and the Company.

The above chart covers first-tier subsidiaries only. Subsidiaries on second-tier and below are not listed.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Audited)</i>	2014 <i>RMB million</i> <i>(Audited)</i>	2013 <i>RMB million</i> <i>(Restated)</i> ³	2012 <i>RMB million</i> <i>(Restated)</i> ²
Total operating revenue	50,576.87	53,258.87	55,288.10	52,081.32	46,184.87
Net profit	1,156.85	1,086.96	1,340.95	1,499.57	1,538.66
Net profit attributable to shareholders of the Company	585.44	803.50	511.26	429.91	464.85
Basic earnings per share (RMB)	0.16	0.22	0.14	0.12	0.13

	As at 31 December				
	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Audited)</i>	2014 <i>RMB million</i> <i>(Audited)</i>	2013 <i>RMB million</i> <i>(Restated)</i> ³	2012 <i>RMB million</i> <i>(Restated)</i> ²
Total assets	102,422.77	102,617.96	98,949.84	93,781.64	86,403.77
Total liabilities	66,781.04	69,260.80	68,224.91	66,157.42	59,240.07
Ownership interests attributable to shareholders of the Company	16,641.74	14,976.76	13,616.25	11,072.59	11,424.11
Equity per share (RMB)	4.66	4.19	3.81	3.10	3.20

Note:

1. On 29 March 2016, the Board resolved to change the Company's accounting standards into China Accounting Standards for Business Enterprises. Unless otherwise stated, the relevant financial information in the 2016 annual report of the Company was prepared in accordance with China Accounting Standards for Business Enterprises.
2. The figures for 2012 have been restated due to the completion of adjustment of acquisitions of Handan Sinoma Asset Management Co., Ltd., Chengdu Cement Industry Design & Research Institute Co., Ltd., Tianjin Sinoma Asset Management Company Limited, China Building Materials Industry Construction Tianjin Engineering Co., Ltd., Suzhou Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. and NRD (all were under common control) during 2013.
3. The figures for 2013 have been restated due to the adoption of new adjustments on relevant accounting standards for business enterprises in 2014.

Cement Equipment and Engineering Services

	2016	2015	Change (%)
Amount of new order intakes (RMB million)	29,887	33,632	-11.14
Amount of backlog (RMB million) – as at 31 December	68,281	68,028	0.37

Cement

	2016	2015	Change (%)
Sales volume of cement ('000 tonnes)	76,923	73,154	5.15
Sales volume of clinker ('000 tonnes)	8,216	7,550	8.82

High-tech Materials

	2016	2015	Change (%)
Sales volume of glass fiber and products ('000 tonnes)	607	532	14.10
Sales volume of fan blades for wind power generators (set)	2,868	3,945	-27.30
Sales volume of solar-energy fused silica crucibles (unit)	188,550	109,130	72.78
Sales volume of natural gas cylinders (unit)	132,314	154,886	-14.57

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present to you the annual report and the results of the Company for 2016, and report to you on the key development of the Company for 2017.

In 2016, the global economy was still undergoing a period of profound adjustment, and the recovery was slow. The economies in the Euro zone remained weak, with major economies recording varying growth rates. The worldwide trade continued to be sluggish. With the frequent "black swan" events such as Brexit, the increase of international geopolitical risks and contingencies, global economy faced more uncertainties. China's downward economic growth momentum tend to stabilize. Deflationary pressure gradually eased, and its economic growth was maintained in the expected target range. However, the structural contradictions in economic operation were prominent. With slowed investment growth and sluggish investment in manufacturing business and the sharp fall in private investment growth rate, the economic downward pressure was not eased. In the context of over-capacity and insufficient demand, the building material industry is at a stage of in-depth adjustment and the prices remain slow. In accordance with its strategic plan of "implementing five major concepts of development and accelerating the development of an innovative, international and value-added enterprise", the Company actively responded to complex and ever-changing economic situation at home and abroad, deepened reforms and innovations, and promoted transformations and upgrades in order to realize quality improvement and efficiency enhancement. The Company has fully achieved various operation targets.

During the Reporting Period, total operating revenue of the Group was RMB50,576.87 million, representing a year-on-year decrease of 5.04%; net profit was RMB1,156.85 million, representing a year-on-year increase of 6.43%; net profit attributable to shareholders of the Company was RMB585.44 million, representing a year-on-year decrease of 27.14%; earnings per share of the Company amounted to RMB0.16.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

During the Reporting Period, confronted with the unfavourable factors including the sluggish global economic growth, the reduction in the fixed asset investment in the cement industry in China and increasingly intensified market competition, the segment continued to strengthen global resource allocation capabilities, stepped up its market development efforts by following its business strategy of "stabilizing existing market, planning for potential market and exploring market with strengths", penetrated into new business fields, and actively promoted the benchmarking and refined management. As at 31 December 2016, the backlog order amounted to RMB68.3 billion.

CEMENT

During the Reporting Period, in face of the unfavourable situations including serious overcapacity in domestic cement industry, lack of demand as well as complicated and volatile original market, the segment closely monitored target markets, deeply promoted benchmarking management, strictly controlled production cost, and took efforts to lower cost and improve efficiency, achieving considerable growth in its performance. Cement selling cost decreased by RMB10/tonne. During the Reporting Period, sales volume of cement was 76.92 million tonnes, representing a year-on-year increase of 5.15%. While consolidating its influence and market share in regional markets, the segment accelerated its footsteps of "Overseas Expansion". During the Reporting Period, the construction of a new dry-process cement production line in Sinoma-Zambia Building Materials Industry Park (中材贊比亞建材工業園) with an annual capacity of one million tonnes fully commenced and the preparatory work of certain overseas cement projects has been actively promoted.

HIGH-TECH MATERIALS

During the Reporting Period, faced with fierce market competition, the segment exerted its own advantages, strengthened technical innovations and new product R&D, timely adjusted product structure, lowered cost and improved efficiency. The unit production cost of glass fiber and products decreased by RMB400 and their sales volume increased by 14.10% year-on-year. The sales volume of solar-energy fused silica crucibles increased by 72.78% year-on-year.

OUTLOOK

In 2017, the world economy will remain weak and face many risks. The new U.S. administration, "Brexit" negotiations and presidential elections at Germany and France will affect the world's political and economic situation. In addition, intensified protectionism, the rise of the "anti-globalization" trend, increased geopolitical risk, changes in US dollar exchange rate and interest rate, and fluctuations of commodity prices, resulted in the continued downturn in global trade and slow recovery of the world economy. The Chinese economy remained steady while making progress and seeking prosperity. Under the "new normal" of changing of economic structure, growth momentum and development method, the situation of slowing economic growth and declining industrial enterprise profit had not been fully changed. The problems in the building materials industry of overcapacity, weak market demand, price volatility and rigid growth of cost remain obvious, and the Company is still facing a complex and grim environment of production and operation. However, we must be aware that the positive fundamentals of the long-term PRC economy growth remain unchanged, and the strong support and conditions for sustainable economic growth remain unchanged. In addition, completion of the reorganization of the Parent and CNBM Group will provide strong support for the future development of the Company. By following the supply side structural reform, starting with the five tasks of "cutting overcapacity, destocking, deleveraging, reducing corporate costs and shoring up weak spots", and focusing on strengthening risk management and control, quality improvement and efficiency enhancement through healthy development, the Company will actively implement its operating strategy of "price stabilization, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment", deepen innovations, accelerate the footsteps of "Overseas Expansion", promote the adjustment, transformation and upgrade of industrial structure, and continue to improve its profitability and market competitiveness.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

The segment will seize the opportunities of the implementation of "One Belt One Road" and "Global Cooperation of Production Capacity" by China, give full play to its own brand advantages, and actively explore overseas markets. Centring on the development roadmap of "optimizing traditional industry, strengthening the industry of energy conservation and environmental protection, expanding the limited and relevant diversified industries", it will strengthen the development of the markets in the "One Belt One Road" area while strengthening its existing market. It will make innovations in business model, extend industrial chain, enhance after-sales services and vigorously develop the "EPC+M" business model. It will also strengthen its cost control, boost its refined management level and improve its profitability continuously.

CEMENT

The segment will follow the supply side structural reform and resolutely eliminate the production lines which have no competitiveness and have been loss-making for years. It will actively promote market integration, optimize the market presence, play synergies, and stabilize market prices. In addition, it will actively promote intelligent production and improve resource utilization efficiency, so as to save energy consumption and realize green development. It will proactively conduct global cooperation of production capacity and facilitate the overseas presence of the cement business.

HIGH-TECH MATERIALS

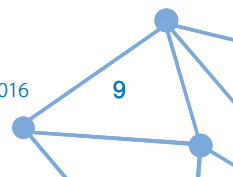
The segment will focus on market demand and actively implement its strategy of increasing product variety, improving quality and building brands supported by independent innovations, and increase effective supply, so as to constantly enhance its brand influence and increase market share. It will give full play to its advantage of resource integration and establish a full industrial chain and technological chain from the research and development to manufacturing of glass fiber and composite materials. It will actively explore the ways of "Overseas Expansion" and accelerate overseas investment.

On behalf of the Board, I would like to express my heartfelt gratitude to all the shareholders, investors and customers for your long-term support and also my appreciation to the management and all staff for their diligence and dedication to the Group.

LIU Zhijiang

Chairman of the Board

31 March 2017



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Company, being the largest cement equipment and engineering services provider in the world, as well as a leading producer of non-metal materials in China, is principally engaged in three business segments, namely cement equipment and engineering services, cement and high-tech materials.

Cement Equipment and Engineering Services

Industry Review

During the Reporting Period, global economic recovery was weak and the infrastructure investment grew slowly. Several developing countries experienced a continued currency depreciation, which had a material adverse effect on the cement construction market. Investment in cement industry across the world remained at low level. Although the global cement construction market saw continuous growth in certain regions, there was no sign of an overall recovery.

During the Reporting Period, 19 cement clinker production lines were put into operation with designed clinker capacity of 25.58 million tonnes, representing a decrease of 21.63 million tonnes or 46% from 2015. The fixed asset investment in the domestic cement industry witnessed six consecutive years of negative growth. The cement construction projects decreased significantly, resulting in increasingly fierce competition and descending profitability.

Business Review

Continuing to strengthen development of international market to consolidate market share

During the Reporting Period, in the face of severe external market environment, the Company actively adjusted its operational strategy by continuing to explore and innovate service model and developing business such as customer services, diversified projects and low carbon business. It continued to enhance its global resource allocation and develop international market by seizing the opportunities brought by the “One Belt One Road” initiative and global cooperation of production capacity. It implemented an operational strategy of “stabilizing existing market, planning for potential market and exploring market with strengths”. During the Reporting Period, the new order intake amounted to RMB29.9 billion, of which the new order intake from overseas markets amounted to RMB23.5 billion, representing 78.60% of all new order intake. The market share of its cement engineering EPC business in the overseas market had ranked first in the world for nine consecutive years. New order intake for mining services amounted to 29 million tonnes in the Reporting Period, and the production of its mining services exceeded 0.2 billion tonnes, with domestic market share exceeding 7%.

Strengthening refined management to ensure project implementation

During the Reporting Period, the Company strengthened refined management by continuing to refine the benchmarking system for undergoing EPC projects and improving engineering project budget and total cost management mechanism in order to make full use of the budget's role in restraining of and warning for cost and progress. During the Reporting Period, the Company implemented 107 EPC and EP projects, obtained 30 PAC certificates and 6 FAC certificates. Seven of its projects received National Building Materials Quality Engineering Awards for 2016, and six received Building Materials Industry Excellent Engineering Design Awards.

Making full use of overseas business advantages to actively promote internationalization transformation

During the Reporting Period, leveraging its overseas project experience and brand strengths and through its project departments and regional companies, the Company actively developed diversified business in the surrounding areas of the project. The new order intake for equipment export, spare parts, operating services and related diversified business recorded significant year-on-year growth during the Reporting Period, and its relevant overseas industrial diversification business has produced positive results. Sinoma International had built a logistics park project with partners in Nigeria, and invested in and built a colour recoated steel and steel structure manufacturing plant. The approval from the National Development and Reform Commission had been obtained for its planned steel structure plant project in Iraq.

Cement

Industry Review

In 2016, the supply side structural reform was promoted in the cement industry. Focusing on “steady growth, structural adjustment, efficiency enhancement”, a series of measures were adopted in the industry including production at off-peak hours, industry self-regulation, regional coordination and market integration. As a result, the supply and demand dynamics in most areas has been improved. Cement production during the Reporting Period was 2.4 billion tonnes, representing a year-on-year increase of 2.5%. Cement price gradually picked up in the second half of the year of 2016, which had significantly improved the performance of the industry. The industry realized profit of RMB51.8 billion in the Reporting Period, a significant year-on-year increase of 55%. However, the problems of industrial structure adjustment and over-capacity remained obvious, and the clinker capacity utilisation was only 68%.

Business Review

Seizing market opportunities to expand product sales

By seizing the market opportunities brought by industrial recovery, capitalizing on its brand strengths and regional control and actively developing markets, the sales volume of cement and clinker both grew steadily. During the Reporting Period, sales volume of cement and clinker of the Company was 85.14 million tonnes, representing a year-on-year increase of 5.50%.

Optimizing and strengthening internal control to effectively reduce product cost

Relying upon its regional dominance and focusing on cost control, the segment strengthened the centralized procurement and benchmarking to improve management and reduce production cost effectively. During the Reporting Period, cost of sales of cement decreased by RMB10/tonne year-on-year, and gross margin improved by approximately 5.50 percentage points year-on-year.

Continuing to implement the strategy of energy conservation and emission reduction and earnestly fulfilling corporate social responsibility

The segment remained committed to energy conservation and emission reduction of cement production lines, to earnestly fulfil corporate social responsibility through improving energy efficiency, and lowering energy consumption during the production process of cement. During the Reporting Period, electricity consumption of cement per tonne decreased by 3.65 kWh year-on-year, and comprehensive energy consumption of cement per tonne decreased by 3.53 kilograms of standard coal year-on-year.

Actively promoting international cooperation to accelerate global industrial presence

During the Reporting Period, the Company actively promoted overseas development led by the cement industry. Through its advantages of a complete industrial chain in the cement industry and technical capability, the Company accelerated global industrial presence and conducted preliminary work for several projects. During the Reporting Period, the construction of the 2,500t/d clinker and cement production line in Zambia invested by the Company commenced, with total investment amounting to RMB300 million. A sintered brick project with annual capacity of 60 million units, which is scheduled to commence construction at the same time as such project, has been filed with the Ministry of Commerce and National Development and Reform Commission.

High-Tech Materials

Industry Review

Affected by the rush of installation in the wind power industry in 2015 and decreased investment in the wind power industry, the demand for wind power fan blade significantly decreased in 2016. As a result of the decrease in demand for wind power, the prices of the glass fiber fell. However, the demand by the automotive and home appliance industries for thermoplastic glass fiber remained steady and grew. Due to fluctuations of international oil price at low level, continuous reduction in domestic oil price, and narrowing oil and gas spread, the market demand for CNG cylinders remained weak. As the photovoltaic industry recovered, the demand for solar-energy fused silica crucibles increased. However, the domestic market is still in oversupply in general, and there is fierce competition.

Business Review

Timely adjusting product structure to increase product sales

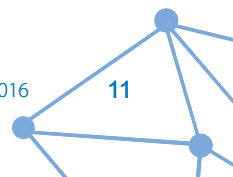
During the Reporting Period, CTG endeavoured to overcome the negative impacts of the decrease in usage and price of wind power products by actively seizing market opportunities and timely adjusting product structure. As a result, its production volume and sales volume both exceeded 0.6 million tonnes, and its market share increased constantly.

Sinoma Blade strengthened market sales and product research and development, optimised and adjusted product structure in order to ensure its leading position in terms of domestic market share. Through improving the production process of silica crucibles, the comprehensive product pass rate of Jiangxi Sinoma New Solar Materials Co., Ltd. exceeded 95%, with its cost decreasing by 30% and sales volume increasing by 73% year-on-year, occupying the leading position in the industry.

Accelerating adjustment and upgrades of industrial structure to improve corporate competitiveness

During the Reporting Period, two 100,000 t/a alkali-free glass fiber tank-kiln drawing production lines and one 20,000 t/a electronic glass fiber production line commenced production, and a 400 set/a MW-level wind power fan blade industry base at Handan was completed and commenced production.

A 80,000 t/a alkali-free glass fiber tank-kiln drawing production line and a 240 million sq.m./a lithium membrane production line, which are expected to be completed and commence production in 2017, are advancing as scheduled. As these projects commence operation and production, not only the products' profitability and market competitiveness will be enhanced, but also solid foundations will be laid for the transformation and upgrading of industrial structure and cultivation of new growth drivers.



MANAGEMENT DISCUSSION AND ANALYSIS

Focusing on technological innovations and achieving results from the combination of production and research

With the aim of strengthening top design and overall planning for technological innovations, the Company strived to improve its technological innovation system, and coordinated the research and development of major science and technology projects and technological innovation resources, which had played a counselling role for the Company's major technical decisions. During the Reporting Period, NRD, relying on its special glass fiber and three-dimensional fabric technology, built a production base for special glass fiber and fabrics in the PRC, and became one of the only five enterprises in the world possessing high-strength special glass fiber technologies. Sinoma Blade finished the research and development of 9 new models of wind power fan blades, covering different operating environment of high and low temperature, high altitude, low wind speed, coastal areas and sea. In particular, its super large blade for sea, Sinoma77.7-6.0MW, won the Innovative Product Award at the 22nd China Composites Exhibition. Relying on the National Industrial Ceramics Engineering Technology Research Centre, Sinoma Advanced Materials has built four innovation platforms for key common technology research and development, testing, standards and information, and engineering research and verification. Shandong Industrial Ceramics Research and Design Institute successfully won a key national project, establishing its leading domestic position in respect of thermal protection materials.

COMPLIANCE WITH LAWS AND REGULATIONS

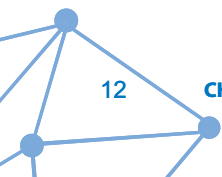
During the Reporting Period, to the knowledge of the Directors, there was no non-compliance with any relevant laws and regulations which would have a material impact on the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group always adheres to the philosophy of green development. In daily operation, the Group strictly abides by the law, regulations, standards and other regional specification such as the Environmental Protection Law, the Emission Standard of Air Pollutant for Cement Industry and the Integrated Wastewater Discharge Standard, and has enacted and formulated emission control standards which are stricter than the requirements of laws and regulations and internal regulations such as the measures for assessing energy saving and emission reduction targets. It increased investment in environmental protection and focused on areas such as gas emissions control, sewage treatment, waste disposal and treatment, comprehensive utilization of resources, technological renovation, and elimination of backward production capacity. As a result, it has effectively kept pollutant emissions under control and achieved significant emission reduction. During the Reporting Period, the Group also actively developed and applied new environment-friendly technologies and products and developed energy-saving and environment-protection business.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group has been committed to maintaining the long-term sustainable development, to constantly creating value for employees and customers, and to maintaining a good relationship with suppliers. The Group deeply understands that employees are valuable assets, and that the realization and enhancement of the employee value would help the Group to achieve its overall targets. During the Reporting Period, the Group provided extensive social security benefits for its employees, initiated the activeness of employees while enhancing their sense of belonging. The Group also understands that the good relationship with suppliers and customers would be critical to the overall development of the Group. The Group emphasized the selection of suppliers, encouraged fairness and open competition, and built long-lasting partnership with quality suppliers based on mutual trust. To maintain the competitiveness of the brand and products of the Group, the Group adopted a principle of honesty and trust-worthiness, and has been committed to persistently offering quality products to customers and to building a reliable serving environment for customers.



FINANCIAL REVIEW

	Year ended 31 December 2016 RMB million	Year ended 31 December 2015 RMB million	Change	
			RMB million	%
Total operating revenue	50,576.87	53,258.87	(2,682.00)	(5.04)
Operating cost	(40,307.95)	(44,006.61)	3,698.66	(8.40)
Gross profit	10,268.92	9,252.26	1,016.66	10.99
Taxes and surcharges	(478.60)	(358.74)	(119.86)	33.41
Selling expenses	(2,117.91)	(2,040.55)	(77.36)	3.79
Administrative expenses	(4,382.10)	(4,344.54)	(37.56)	0.86
Financial expenses	(1,384.73)	(1,759.80)	375.07	(21.31)
Asset impairment losses	(996.95)	(453.51)	(543.44)	119.83
Incomes (losses) from changes in fair value	3.85	(0.38)	4.23	–
Investment incomes	133.73	416.76	(283.03)	(67.91)
Operating profit	1,046.21	711.49	334.72	47.04
Non-operating incomes	836.05	994.93	(158.88)	(15.97)
Non-operating expenses	(172.81)	(112.01)	(60.80)	54.28
Total profit	1,709.45	1,594.41	115.04	7.22
Income tax expenses	(552.60)	(507.45)	(45.15)	8.90
Net profit	1,156.85	1,086.96	69.89	6.43
Net profit attributable to shareholders of the Company	585.44	803.50	(218.06)	(27.14)
Minority interests	571.41	283.46	287.95	101.58

Results Performance

During the Reporting Period, total profit of the Group was RMB1,709.45 million, representing a year-on-year increase of 7.22%. Net profit attributable to shareholders of the Company was RMB585.44 million, representing a year-on-year decrease of 27.14%. Earnings per share of the Company were RMB0.16.

Consolidated Operating Results

The financial information for the segments presented below is before elimination of inter-segment transactions and before unallocated expenses.

Total operating revenue

Total operating revenue of the Group for 2016 was RMB50,576.87 million, representing a decrease of 5.04% as compared with RMB53,258.87 million for 2015, mainly due to the decrease in contracted business volume in the cement equipment and engineering services segment. In particular, total operating revenue of the cement equipment and engineering services segment decreased by RMB3,753.88 million; total operating revenue of the cement segment increased by RMB912.73 million; total operating revenue of the high-tech materials segment increased by RMB79.43 million.

Operating cost

Operating cost of the Group for 2016 was RMB40,307.95 million, representing a decrease of 8.40% as compared with RMB44,006.61 million for 2015, mainly due to the decrease in contracted business volume in the cement equipment and engineering services segment. In particular, operating cost of the cement equipment and engineering services segment decreased by RMB3,557.97 million; operating cost of the cement segment decreased by RMB348.15 million; operating cost of the high-tech materials segment increased by RMB177.88 million.

Gross profit and gross margin

Gross profit of the Group for 2016 was RMB10,268.92 million, representing an increase of 10.99% as compared with RMB9,252.26 million for 2015, mainly due to the decrease in unit product cost in the cement segment. In particular, gross profit of the cement equipment and engineering services segment decreased by RMB195.91 million; gross profit of the cement segment increased by RMB1,260.88 million; gross profit of the high-tech materials segment decreased by RMB98.45 million. Gross margin of the Group for 2016 was 20.30%, representing an increase of 2.93 percentage points from 17.37% for 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxes and surcharges

Taxes and surcharges of the Group for 2016 were RMB478.60 million, representing an increase of 33.41% as compared with RMB358.74 million for 2015, mainly due to the transfer of certain taxes to taxes and surcharges in accordance with the requirements of Circular Cai Kuai [2016] No. 22. In particular, taxes and surcharges of the cement equipment and engineering services segment decreased by RMB21.87 million; taxes and surcharges of the cement segment increased by RMB77.73 million; taxes and surcharges of the high-tech materials segment increased by RMB64.49 million.

Selling expenses

Selling expenses of the Group for 2016 were RMB2,117.91 million, representing an increase of 3.79% as compared with RMB2,040.55 million for 2015, mainly due to the increase in sales volume of cement and the change in settlement of transportation expense for sales of certain cement. In particular, selling expenses of the cement equipment and engineering services segment decreased by RMB2.48 million; selling expenses of the cement segment increased by RMB62.26 million; selling expenses of the high-tech materials segment increased by RMB17.57 million.

Administrative expenses

Administrative expenses of the Group for 2016 were RMB4,382.10 million, representing an increase of 0.86% as compared with RMB4,344.54 million for 2015. In particular, administrative expenses of the cement equipment and engineering services segment increased by RMB28.51 million; administrative expenses of the cement segment decreased by RMB7.24 million; administrative expenses of the high-tech materials segment increased by RMB18.95 million.

Financial expenses

Financial expenses of the Group for 2016 were RMB1,384.73 million, representing a decrease of 21.31% as compared with RMB1,759.80 million for 2015, mainly due to the decrease in the scale and interest rates of debt financing and the increase in exchange gains year-on-year. In particular, financial income of the cement equipment and engineering services segment increased by RMB62.85 million; financial expenses of the cement segment decreased by RMB218.91 million; financial expenses of the high-tech materials segment decreased by RMB68.23 million.

Asset impairment losses

Asset impairment losses of the Group for 2016 were RMB996.95 million, representing an increase of 119.83% as compared with RMB453.51 million for 2015, mainly due to provision made for impairment of goodwill and the increase in impairment loss on certain production lines. In particular, asset impairment losses of the cement equipment and engineering services segment increased by RMB108.18 million; asset impairment losses of the cement segment increased by RMB208.28 million; asset impairment losses of the high-tech materials segment increased by RMB226.88 million.

Incomes (losses) from changes in fair value

Incomes from changes in fair value of the Group for 2016 were RMB3.85 million, representing an increase of RMB4.23 million as compared with losses from changes in fair value of RMB0.38 million for 2015, all of which generated from the cement equipment and engineering services segment.

Investment incomes

Investment incomes of the Group for 2016 were RMB133.73 million, representing a decrease of 67.91% as compared with RMB416.76 million for 2015, mainly due to the significant decrease in gain on disposal of certain available-for-sale financial assets as compared with the year of 2015. In particular, investment incomes of the cement equipment and engineering services segment decreased by RMB33.10 million; investment incomes of the cement segment decreased by RMB101.02 million; investment incomes of the high-tech materials segment decreased by RMB32.19 million.

Operating profit and operating margin

Operating profit of the Group for 2016 was RMB1,046.21 million, representing an increase of 47.04% as compared with RMB711.49 million for 2015. Operating margin was 2.07%, representing an increase of 0.73 percentage point as compared with 1.34% for 2015.

Non-operating incomes

Non-operating incomes of the Group for 2016 were RMB836.05 million, representing a decrease of 15.97% as compared with RMB994.93 million for 2015, mainly due to the reduction in tax refund resulting from the change in the value-added tax refund policy for cement products.

Non-operating expenses

Non-operating expenses of the Group for 2016 were RMB172.81 million, representing an increase of 54.28% as compared with RMB112.01 million for 2015, mainly due to Sinoma Hanjiang being required to pay back the value-added tax refunded.

Total profit

Total profit of the Group for 2016 was RMB1,709.45 million, representing an increase of 7.22% as compared with RMB1,594.41 million for 2015.

Income tax expenses

Income tax expenses of the Group for 2016 were RMB552.60 million, representing an increase of 8.90% as compared with RMB507.45 million for 2015, mainly due to the significant increase in total profit of the cement segment which turned to profit from loss.

Net profit

Net profit of the Group for 2016 was RMB1,156.85 million, representing an increase of 6.43% as compared with RMB1,086.96 million for 2015.

Net profit attributable to shareholders of the Company

Net profit attributable to shareholders of the Company for 2016 was RMB585.44 million, representing a decrease of 27.14% as compared with RMB803.50 million for 2015, mainly due to the significant deterioration of performance as compared with the year of 2015 of certain subsidiaries in which the Company had relatively high stakes, as well as the fact the Company recorded a gain from disposal of certain available-for-sale financial assets during the year of 2015, which did not take place during the year of 2016.

Minority interests

Minority interests of the Group for 2016 were RMB571.41 million, representing an increase of 101.58% as compared with RMB283.46 million for 2015.

Segment Results

The financial information for the segments presented below is before elimination of inter-segment transactions and before unallocated expenses.

Cement Equipment And Engineering Services

	2016	2015	Change
	<i>RMB million</i>	<i>RMB million</i>	%
Total operating revenue	21,053.41	24,807.29	(15.13)
Operating cost	(18,354.19)	(21,912.16)	(16.24)
Gross profit	2,699.22	2,895.13	(6.77)
Taxes and surcharges	(100.51)	(122.38)	(17.87)
Selling expenses	(287.79)	(290.27)	(0.85)
Administrative expenses	(1,516.50)	(1,487.99)	1.92
Financial incomes	116.45	53.60	117.26
Asset impairment losses	(199.92)	(91.74)	117.92
Incomes (losses) from changes in fair value	3.85	(0.38)	-
Investment (losses) incomes	(17.89)	15.21	-
Operating profit	696.91	971.18	(28.24)

Total operating revenue

Total operating revenue of the cement equipment and engineering services segment for 2016 was RMB21,053.41 million, representing a decrease of 15.13% as compared with RMB24,807.29 million for 2015, mainly due to the decrease in contracted business volume.

Operating cost

Operating cost of the cement equipment and engineering services segment for 2016 was RMB18,354.19 million, representing a decrease of 16.24% as compared with RMB21,912.16 million for 2015, mainly due to the decrease in contracted business volume.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross margin

Gross profit of the cement equipment and engineering services segment for 2016 was RMB2,699.22 million, representing a decrease of 6.77% as compared with RMB2,895.13 million for 2015. Gross margin of the cement equipment and engineering services segment for 2016 was 12.82%, representing an increase of 1.15 percentage points from 11.67% for 2015.

Taxes and surcharges

Taxes and surcharges of the cement equipment and engineering services segment for 2016 were RMB100.51 million, representing a decrease of 17.87% as compared with RMB122.38 million for 2015.

Selling expenses

Selling expenses of the cement equipment and engineering services segment for 2016 were RMB287.79 million, representing a decrease of 0.85% as compared with RMB290.27 million for 2015.

Administrative expenses

Administrative expenses of the cement equipment and engineering services segment for 2016 were RMB1,516.50 million, representing an increase of 1.92% as compared with RMB1,487.99 million for 2015, mainly due to the increase in research and development expenses during the year of 2016.

Financial incomes

Financial incomes of the cement equipment and engineering services segment for 2016 were RMB116.45 million, representing an increase of 117.26% as compared with RMB53.60 million for 2015, mainly due to the significant year-on-year increase in exchange gain.

Asset impairment losses

Asset impairment losses of the cement equipment and engineering services segment for 2016 were RMB199.92 million, representing an increase of 117.92% as compared with RMB91.74 million for 2015, mainly due to the provision made during the year of 2016 for impairment of goodwill arising from acquisition of Hazemag.

Incomes (losses) from changes in fair value

Incomes from changes in fair value of the cement equipment and engineering services segment for 2016 were RMB3.85 million, representing an increase of RMB4.23 million as compared with losses from changes in fair value of RMB0.38 million for 2015, mainly due to the increase in incomes from changes in fair value of foreign exchange forward contracts held.

Investment (losses) incomes

Investment losses of the cement equipment and engineering services segment for 2016 were RMB17.89 million, representing a decrease of RMB33.10 million as compared with investment incomes of RMB15.21 million for 2015.

Operating profit

Based on the above, operating profit of the cement equipment and engineering services segment for 2016 was RMB696.91 million, representing a decrease of 28.24% as compared with RMB971.18 million for 2015.

Cement

	2016	2015	Change
	<i>RMB million</i>	<i>RMB million</i>	%
Total operating revenue	19,734.08	18,821.35	4.85
Operating cost	(14,867.74)	(15,215.89)	(2.29)
Gross profit	4,866.34	3,605.46	34.97
Taxes and surcharges	(235.21)	(157.48)	49.36
Selling expenses	(1,307.44)	(1,245.18)	5.00
Administrative expenses	(1,727.94)	(1,735.18)	(0.42)
Financial expenses	(911.06)	(1,129.97)	(19.37)
Asset impairment losses	(467.43)	(259.15)	80.37
Investment incomes	127.09	228.11	(44.29)
Operating profit	344.35	(693.39)	–

Total operating revenue

Total operating revenue of the cement segment for 2016 was RMB19,734.08 million, representing an increase of 4.85% as compared with RMB18,821.35 million for 2015, mainly due to the year-on-year increase in sales volume of cement.

Operating cost

Operating cost of the cement segment for 2016 was RMB14,867.74 million, representing a decrease of 2.29% as compared with RMB15,215.89 million for 2015, mainly due to the decrease in unit product cost of cement.

Gross profit and gross margin

Gross profit of the cement segment for 2016 was RMB4,866.34 million, representing an increase of 34.97% as compared with RMB3,605.46 million for 2015. Gross margin of the cement segment for 2016 was 24.66%, representing an increase of 5.50 percentage points from 19.16% for 2015, mainly due to the decrease in unit product cost.

Taxes and surcharges

Taxes and surcharges of the cement segment for 2016 were RMB235.21 million, representing an increase of 49.36% as compared with RMB157.48 million for 2015.

Selling expenses

Selling expenses of the cement segment for 2016 were RMB1,307.44 million, representing an increase of 5.00% as compared with RMB1,245.18 million for 2015, mainly due to the year-on-year increase in sales volume and the change in settlement of transportation expenses for sales of certain cement.

Administrative expenses

Administrative expenses of the cement segment for 2016 were RMB1,727.94 million, representing a decrease of 0.42% as compared with RMB1,735.18 million for 2015.

Financial expenses

Financial expenses of the cement segment for 2016 were RMB911.06 million, representing a decrease of 19.37% as compared with RMB1,129.97 million for 2015, mainly due to the decrease in the scale and interest rates of debt financing.

Asset impairment losses

Asset impairment losses of the cement segment for 2016 were RMB467.43 million, representing an increase of 80.37% as compared with RMB259.15 million for 2015, mainly due to the increase in impairment losses on certain production lines.

Investment incomes

Investment incomes of the cement segment for 2016 were RMB127.09 million, representing a decrease of 44.29% as compared with RMB228.11 million for 2015, mainly due to the decrease in gains on disposal of available-for-sale financial assets during the year of 2016 as compared with that of the year of 2015.

Operating profit

Based on the above, operating profit of the cement segment for 2016 was RMB344.35 million, representing an increase of RMB1,037.74 million as compared with operating loss of RMB693.39 million for 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

High-Tech Materials

	2016	2015	Change
	RMB million	RMB million	%
Total operating revenue	10,413.22	10,333.79	0.77
Operating cost	(7,766.32)	(7,588.44)	2.34
Gross profit	2,646.90	2,745.35	(3.59)
Taxes and surcharges	(140.80)	(76.31)	84.51
Selling expenses	(522.68)	(505.11)	3.48
Administrative expenses	(1,077.94)	(1,058.99)	1.79
Financial expenses	(336.69)	(404.92)	(16.85)
Asset impairment losses	(329.60)	(102.72)	220.87
Investment incomes	3.16	35.35	(91.06)
Operating profit	242.35	632.65	(61.69)

Total operating revenue

Total operating revenue of the high-tech materials segment for 2016 was RMB10,413.22 million, representing an increase of 0.77% as compared with RMB10,333.79 million for 2015, mainly due to the increase in sales volume of glass fiber and other products, partially offset by the decrease in sales volume of fan blades for wind power generators.

Operating cost

Operating cost of the high-tech materials segment for 2016 was RMB7,766.32 million, representing an increase of 2.34% as compared with RMB7,588.44 million for 2015, mainly due to the increase in sales volume of glass fiber and certain other products.

Gross profit and gross margin

Gross profit of the high-tech materials segment for 2016 was RMB2,646.90 million, representing a decrease of 3.59% as compared with RMB2,745.35 million for 2015. Gross margin of the high-tech materials segment for 2016 was 25.42%, representing a decrease of 1.15 percentage points from 26.57% for 2015, mainly due to the decrease in gross margin of fan blades for wind power generators.

Taxes and surcharges

Taxes and surcharges of the high-tech materials segment for 2016 were RMB140.80 million, representing an increase of 84.51% as compared with RMB76.31 million for 2015.

Selling expenses

Selling expenses of the high-tech materials segment for 2016 were RMB522.68 million, representing an increase of 3.48% as compared with RMB505.11 million for 2015, mainly due to the increase in transportation expenses as a result of the increase in sales volume of solar-energy fused silica crucibles.

Administrative expenses

Administrative expenses of the high-tech materials segment for 2016 were RMB1,077.94 million, representing an increase of 1.79% as compared with RMB1,058.99 million for 2015.

Financial expenses

Financial expenses of the high-tech materials segment for 2016 were RMB336.69 million, representing a decrease of 16.85% as compared with RMB404.92 million for 2015, mainly due to the increase in exchange gain and the decrease in year-on-year interest rates of borrowings.

Asset impairment losses

Asset impairment losses of the high-tech materials segment for 2016 were RMB329.60 million, representing an increase of 220.87% as compared with RMB102.72 million for 2015, mainly due to the provision made for impairment of certain cylinder production lines during the year of 2016.

Investment incomes

Investment incomes of the high-tech materials segment for 2016 were RMB3.16 million, representing a decrease of 91.06% as compared with RMB35.35 million for 2015, mainly due to the recognition of investment incomes from deemed disposal of a joint venture during the year of 2015.

Operating profit

Based on the above, operating profit of the high-tech materials segment for 2016 was RMB242.35 million, representing a decrease of 61.69% as compared with RMB632.65 million for 2015.

Liquidity and Capital Resources

Cash flows:

	2016 RMB million	2015 RMB million
Net cash flows from operating activities	6,588.06	5,375.14
Net cash flows from investing activities	(1,892.08)	(1,030.06)
Net cash flows from financing activities	(2,376.67)	(1,686.66)
Cash and cash equivalents at the end of the year	15,503.45	12,951.28

Net cash flows from operating activities

Net cash flows from operating activities increased from RMB5,375.14 million in 2015 to RMB6,588.06 million in 2016. The increase was mainly due to the significant decrease in inventories and prepayments.

Net cash flows from investing activities

Net cash flows from investing activities increased from RMB-1,030.06 million in 2015 to RMB-1,892.08 million in 2016. The increase was mainly due to the increase in cash outflows from investing activities as a result of the constructions of new glass fiber and cement production lines, as well as the decrease in cash received from disposal of available-for-sale financial assets during the year of 2016.

Net cash flows from financing activities

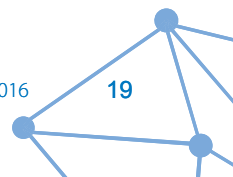
Net cash flows from financing activities increased from RMB-1,686.66 million in 2015 to RMB-2,376.67 million in 2016. The increase was mainly due to the decrease in the scale of debt financing.

Working Capital

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB15,503.45 million (2015: RMB12,951.28 million). Unutilised bank credit facilities amounted to RMB69,613.10 million (2015: RMB37,736.47 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2016 increased to 85.79% (2015: 78.44%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including short-term borrowings, long-term borrowings, non-current liabilities due within one year (long-term borrowings due within one year, bonds payable due within one year and certain long-term payables due within one year), other current liabilities (short-term financing bills, lease payment of sale-leaseback assets due within one year), bonds payable (corporate bonds and medium-term notes) and certain long-term payables as shown in the consolidated balance sheet) less monetary funds. As at 31 December 2016, the net debt ratio of the Group was 43.04% (2015: 61.48%).

With stable cash inflow from daily operating activities as well as existing unutilised bank credit facilities, the Group has sufficient financing resources for its future expansion.



MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As at 31 December 2016, the balance of the Group's borrowings amounted to RMB33,277.96 million.

	31 December 2016	31 December 2015
	<i>RMB million</i>	<i>RMB million</i>
Short-term borrowings, long-term borrowings, finance lease and lease payment of sale-leaseback assets due within one year	14,331.98	15,125.03
Short-term financing bills	6,400.00	5,250.00
Long-term borrowings and finance lease, net of portions due within one year	6,849.86	5,435.27
Corporate bonds	1,596.12	2,498.30
Medium-term notes	4,100.00	7,259.52
Total borrowings	33,277.96	35,568.12

Net Current Liabilities

As at 31 December 2016, the net current liabilities of the Group were approximately RMB7,419.91 million, representing a decrease of RMB4,804.81 million as compared with the net current liabilities of RMB12,224.72 million as at 31 December 2015, mainly due to the proceeds of new shares issued by Sinoma Science & Technology during the year of 2016 with an amount of RMB1,946.97 million as well as the repayments of corporate bonds and certain medium-term notes due within the year of 2016.

Inventory Analysis

As at 31 December 2016, the inventory of the Group amounted to approximately RMB8,007.24 million, representing a decrease of RMB1,614.86 million as compared with RMB9,622.10 million as at 31 December 2015. The inventory turnover days increased from 76.74 days in 2015 to 78.73 days in 2016, mainly due to the significant decrease in operating cost of the cement equipment and engineering services segment.

Accounts Receivable

As at 31 December 2016, the accounts receivable of the Group amounted to approximately RMB8,260.67 million, representing a decrease of RMB989.13 million as compared with RMB9,249.80 million as at 31 December 2015. The average turnover days of accounts receivable of the Group increased from 57.60 days in 2015 to 62.32 days in 2016, mainly due to the decrease in operating revenue of the cement equipment and engineering services segment during the year of 2016.

Contract Work-in-Progress

As at 31 December 2016, the Group's contract work-in-progress was approximately RMB280.89 million, representing a decrease of RMB2,309.60 million as compared with the contract work-in-progress of RMB2,028.71 million as at 31 December 2015.

Pledge of Assets

As at 31 December 2016, the pledge of assets of the Group was as follows:

	31 December 2016
	<i>RMB million</i>
Bills receivable	580.06
Accounts receivable	14.81
Long-term equity investments	800.03
Fixed assets	4,224.94
Intangible assets	369.54
Total	5,989.38

Contingent Liabilities

The Saudi Arabian branch of Sinoma International ("Saudi Arabian Branch") was required by Saudi Arabian tax bureau to pay supplementary tax of 33.04 million riyals and 77.04 million riyals (both exclusive of the corresponding overdue fine). Save for the matters disclosed above, as at 31 December 2016, the Group had no material contingent liabilities.

MATERIAL INVESTMENTS

During the Reporting Period, the Company did not make any material investment or have any plan for material investment or purchase of capital asset.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

On 21 August 2015, the Company entered into an asset purchase agreement with Sinoma Science & Technology, pursuant to which, the Company agreed to dispose and Sinoma Science & Technology agreed to acquire 100% equity interests in CTG, the aggregate consideration for which shall be satisfied by issuance of consideration shares by Sinoma Science & Technology to the Company. On the same day, Sinoma Science & Technology also resolved to issue subscription shares by way of non-public offer. On 22 March 2016, Shandong Administration of Industry & Commerce approved CTG's application for change of shareholder, whereby the shareholder of CTG changed from the Company to Sinoma Science & Technology, which holds 100% equity interest of CTG up to the date of this report. In May 2016, Sinoma Science & Technology completed the issue of the aforesaid subscription shares. Up to the date of this report, the Company's shareholding in Sinoma Science & Technology has increased from 54.32% to 60.24%. For details, please refer to the announcements of the Company published on 21 August 2015, 13 October 2015, 30 October 2015 and 20 November 2015 on the websites of the Hong Kong Stock Exchange and the Company, and the circulars of the Company published on 25 August 2015 and 14 October 2015 on the websites of the Hong Kong Stock Exchange and the Company.

On 3 March 2016, Sinoma Science & Technology entered into a promoters' agreement with the NRDI, a wholly-owned subsidiary of Sinoma Science & Technology, and Yingke Hezhong, pursuant to which Sinoma Science & Technology, the NRDI and Yingke Hezhong have agreed to contribute RMB160 million, RMB100 million and RMB40 million, respectively, to establish Sinoma Lithium Membrane Co., Ltd. ("Sinoma Lithium Membrane") with a registered capital of RMB0.3 billion. For details, please refer to the announcement of the Company published on 3 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 29 March 2016, Qinghai Qilianshan and Kunlunshan Mining entered into an exploration right transfer contract, pursuant to which Qinghai Qilianshan agreed to acquire and Kunlunshan Mining agreed to sell the exploration right for Shangxiamen limestone mines in Shangxinzhuang Town, Huangzhong County, Qinghai Province with a consideration of RMB19.8051 million. For details, please refer to the announcement of the Company published on 29 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 29 March 2016, Qinghai Qilianshan and Kunlunshan Mining entered into an equity transfer agreement, pursuant to which Qinghai Qilianshan agreed to acquire and Kunlunshan Mining agreed to transfer 20% equity interest in Qicai Mining with a consideration of RMB5.4308 million. For details, please refer to the announcement of the Company published on 29 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 24 June 2016, the Company and Tianshan Cement entered into a share subscription contract, pursuant to which, Tianshan Cement proposed to issue no more than 187,006,589 A shares (inclusive) by way of private placement to the Company, of which the aggregate consideration is RMB1,135.13 million. The aforesaid matter was not approved on the general meeting of Tianshan Cement held on 5 August 2016. For details, please refer to the announcements of the Company published on 24 June 2016, 18 July 2016 and 8 August 2016 on the websites of the Hong Kong Stock Exchange and the Company.

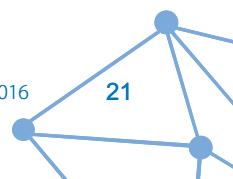
On 28 September 2016, the Company and Tianshan Cement entered into a share subscription contract, pursuant to which, Tianshan Cement proposed to issue no more than 167,638,483 A shares (inclusive) by way of private placement to the Company, of which the aggregate consideration shall not exceed RMB1,150 million (inclusive). For details, please refer to the announcement of the Company published on 28 September 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 30 December 2016, CTG entered into a capital increase agreement with Zoucheng Municipal Asset Operation Co., Ltd., pursuant to which CTG has agreed to make a capital contribution to Taishan Fiberglass Zoucheng Co., Ltd. in the amount of RMB350 million in cash. For details, please refer to the announcement of the Company published on 30 December 2016 on the websites of the Hong Kong Stock Exchange and the Company.

Save for the matters disclosed above, during the Reporting Period, the Company did not conduct any material acquisition and disposal of assets related to subsidiaries, associates and joint ventures.

MARKET RISKS

The Company is exposed to various types of market risks in the normal course of its business, including contract risk, foreign exchange risk, interest risk as well as raw materials and energy price risk.



MANAGEMENT DISCUSSION AND ANALYSIS

Contract Risks

The international business accounts for a large proportion in the Company's cement equipment and engineering services business, with a long construction period. Furthermore, as the overseas contracts are under the impacts of uncontrollable factors such as the global environment and political and economic conditions of the place of contract performance, certain projects may risk being deferred, modified or terminated.

During the Reporting Period, the Company further enhanced the management of contract risks, standardized contract terms of new order intakes and improved the implementation ability of contracts. The Company cleared out the contracts at hand and had carried out risk prevention plan. For the projects under construction, the Company enhanced assessment of payment risks of project owners, paid close attention to the project owners' credit status, and conducted periodic settlement for projects in time. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign Exchange Risks

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

Interest Rate Risks

The Group raises borrowings to support general corporate purposes, including capital expenditures and operating capital needs. The interest rate of the borrowings is subject to adjustment by its lenders in accordance with changes of the regulations of the People's Bank of China. Therefore, the Group bears the risks arising from the fluctuations in the interest rate of the borrowings.

Raw Materials and Energy Price Risks

Steel, coal, electricity and natural gas, among others, are the main raw materials and energy resources that the Company consumes, the price fluctuation of which has a significant impact on the cost and effectiveness of the Company.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

LIU Zhijiang, aged 59, has been an executive Director and chairman of the Board of the Company since February 2013, and serves as the secretary to the Party Committee of the Company since September 2016. Prior to that, Mr. Liu served as a non-executive Director of the Company from July 2007 to February 2013. He has over 30 years of experience in the PRC non-metal materials industry and served a number of key positions such as deputy head and head of the institute and the deputy secretary to the Party Committee in Tianjin Cement Industry Design & Research Institute (天津水泥工業設計研究院) from August 1982 to May 2005. Mr. Liu held his directorship in China National Non-Metallic Materials Corporation (中國非金屬材料總公司), the predecessor of the Company, from September 2005 to July 2007. He served as a deputy general manager of the Parent (and its predecessor) from May 2005 to May 2009, as a director, general manager and a standing member of the Party Committee of the Parent from May 2009 to January 2013, and as the chairman and deputy secretary to the Party Committee of the Parent from January 2013 to August 2016. Mr. Liu has been the secretary to the Party Committee and vice chairman of CNBM Group since August 2016. Mr. Liu served as a director of Sinoma International since April 2006 and as the chairman of the board of directors of Sinoma International from April 2006 to December 2009, and also served as a director of Tianshan Cement from January 2014 to October 2014. Mr. Liu is entitled to a special government allowance provided by the State Council. He was awarded as Provincial Young and Middle Aged Expert with Important Contribution (省部級有重要貢獻的中青年專家), China Engineering Design Master (中國工程設計大師) and was included in 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國家級人選). Mr. Liu also serves various positions such as the vice president of China Enterprise Directors Association (中國企業家協會), the executive vice president of China Building Materials Federation (中國建築材料聯合會) and the president of China Building Material Construction Association (中國建材工程建設協會). Mr. Liu graduated from South China University of Technology (華南理工大學) in July 1982, majoring in binding materials. He is a professorate senior engineer.

PENG Jianxin, aged 57, has been an executive Director and president of the Company since October 2014, and serves as the deputy secretary to the Party Committee of the Company since September 2016. Mr. Peng has over 30 years of experience in the non-metal materials industry. Mr. Peng was a technician in fourth installation division of the Construction Company of the State Bureau of Building Materials Industry (國家建材局建設公司) from September 1983 to October 1984. Mr. Peng successively served as the section chief, team head, manager assistant, project manager, deputy general manager, etc. of Tangshan Installation Engineering Company (唐山安裝工程公司) from October 1984 to October 2002. Mr. Peng served in CBMI Construction successively as the deputy general manager, general manager and secretary to the Party Committee from October 2002 to March 2006. Mr. Peng served as the vice president of Sinoma International from March 2006 to September 2014. Mr. Peng served as the secretary to the Party Committee, chairman of board of directors and general manager of CBMI Construction from March 2006 to December 2008, and served as the chairman of board of directors of the same from December 2008 to September 2014. Mr. Peng served as the general manager of Tianjin Cement Industry Design & Research Institute Co., Ltd. (天津水泥工業設計研究院有限公司) from September 2010 to September 2012, and served as the chairman of board of directors of the same from September 2012 to September 2014. Mr. Peng has been a director of Sinoma International since September 2014, and a director of Tianshan Cement since April 2015. Mr. Peng graduated with a doctoral degree in management science and engineering from Wuhan University of Technology (武漢理工大學) in December 2006. He is a professorate senior engineer.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

LI Xinhua, aged 52, was re-designated as a non-executive Director of the Company since October 2014 and has concurrently been the vice chairman of the Board since February 2013. He served as a standing member of the Party Committee of the Parent from April 2011 to August 2016 and as the vice chairman of the board of directors of CNBM Group since August 2016. Mr. Li served as the vice president of the Company from July 2007 to October 2009. He served as an executive Director of the Company from December 2009 to October 2014, vice chairman of the Board from December 2009 to May 2011, and president of the Company from January 2011 to October 2014. Mr. Li has over 30 years of experience in the non-metal materials industry. Mr. Li held various key positions, such as vice president and president in Beijing FRP Research and Design Institute (北京玻璃鋼研究設計院), currently a subsidiary of the Parent, from August 1985 to March 2002. Mr. Li served as a deputy general manager of China National Non-Metallic Materials Corporation (中國非金屬材料總公司), the predecessor of the Company, from March 2002 to July 2007. Mr. Li was the chairman of the board of directors of Sinoma Science & Technology from May 2003 to May 2013, and served as the president of Sinoma Science & Technology from October 2009 to August 2010. Mr. Li has been serving as a director of the Parent since January 2013 and has been serving as a general manager of the Parent since February 2013. From May 2011 to October 2012, he served as a director of BBMG Corporation. He served as a director of Sinoma International from July 2011 to September 2014, and a director of Ningxia Building Materials from December 2011 to April 2015. He has also served as director of Sinoma Science & Technology and Qilianshan Co. since May 2003 and June 2011 respectively, and served as the secretary to the Party Committee of Sinoma Science & Technology from March 2008 to July 2011. He has been a director of Sinoma Finance since April 2013. Mr. Li is a National Young and Middle Aged Expert with Important Contribution (國家有突出貢獻的中青年專家) and is entitled to a special government allowance provided by the State Council. Mr. Li currently serves as the vice president of China Building Materials Federation (中國建築材料聯合會), the vice president of Chinese Society for Composite Material (中國複合材料學會), and the vice chairman of Chinese Silicate Society (中國矽酸鹽學會), etc. Mr. Li graduated with a bachelor degree in analytical chemistry from Shandong Institute of Building Materials (山東建材學院) in July 1985. He is a professorate senior engineer.

LI Jianlun, aged 59, has been a non-executive Director of the Company since July 2013. Mr. Li has served as the deputy general manager of the Parent (and its predecessor) from April 1997 to August 2016 and as the director of the China Construction Materials and Geological Prospecting Center (中國建築材料工業地質勘查中心), currently a subsidiary body of the Parent, since September 2007. He has been a standing member of the Party Committee of the Parent from May 2009 to August 2016 and senior specialist of CNBM Group since August 2016. Mr. Li had served in China Construction Materials and Geological Prospecting Center (中國建築材料工業地質勘查中心) at several positions such as the head of the personnel division, the head of the planning division, and the assistant to director from July 1982 to April 1997, as the director of our predecessor, China National Non-Metallic Materials Corporation (中國非金屬材料總公司) from February 2002 to July 2007 and concurrently as the director of Tianshan Cement from October 2005 to December 2011. Mr. Li graduated with a bachelor degree from the Department of Economics and Management of Hebei Geological Institute (河北地質學院) in August 1982. Mr. Li is a senior economist.

SHEN Yungang, aged 50, has been a non-executive Director of the Company since July 2016. Mr. Shen has been the assistant to the general manager of equity business department of Cinda since September 2013, serves as a supervisor of China Nuclear Engineering Corporation Limited (中國核工業建設股份有限公司) since November 2013, and serves as a director of Wengfu (Group) Co., Ltd (甕福(集團)有限公司) since December 2013. Mr. Shen worked in Capital Steel Beijing Lingyun Building Materials & Chemical Co., Ltd. (首鋼北京凌雲建材化工有限公司) from July 1990 to April 1994, served as the manager of business department of Hyde International Investment LTD (海德國際投資有限公司) from May 1994 to April 1998, and served as the project manager of investment banking department in China Cinda Trust Investment Company (中國信達信託投資公司) from May 1998 to April 1999. Mr. Shen served in Cinda at several positions such as the deputy manager of investment banking as well as the deputy manager, manager, senior deputy manager and senior manager of equity management department from May 1999 to September 2013. Mr. Shen graduated with a bachelor degree in English from Wuhan University of Technology (武漢理工大學) in June 1990. Mr. Shen is an economist.

WANG Fengting, aged 41, has been a non-executive Director of the Company since July 2016. He has been the chairman of Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司) since August 2015 and served as a Supervisor of the Company from May 2016 to July 2016. Mr. Wang previously served in Qingdao Taishan Realty Development Co., Ltd. (青島泰山房地產開發有限公司) as the deputy manager of the engineering department from 1998 to 2004, and in Taian Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城市建設投資有限公司) as the deputy director of the project management sector, the manager of technology division, the assistant to the general manager, and the chief engineer successively from 2004 to 2015. Mr. Wang graduated with a bachelor degree in construction engineering from Shandong Institute of Mining (山東礦業學院) in July 1998.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Chong Shun, aged 51, has been an independent non-executive Director of the Company since July 2007. Mr. Leung has been serving as an independent non-executive director of SSY Group Limited (石四藥集團有限公司) (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd. (利君國際醫藥(控股)有限公司)) since October 2005 and an independent non-executive director of China Communications Construction Company Ltd. (中國交通建設股份有限公司) since January 2011, and served as an independent non-executive director of China Metal Recycling (Holdings) Limited (中國金屬再生資源(控股)有限公司) from May 2009 to August 2013. Mr. Leung has been a partner of Woo Kwan, Lee & Lo. (胡關李羅律師行), a reputable law firm based in Hong Kong, since September 1997. Mr. Leung becomes a practicing lawyer since October 1991. Mr. Leung graduated from the University of Hong Kong in November 1988 where he obtained a bachelor degree of Laws with honours and is qualified as a solicitor in both Hong Kong and England.

LU Zhengfei, aged 53, has been an independent non-executive Director of the Company since December 2009. Mr. Lu is currently a professor and a supervisor of doctoral students with Guanghua School of Management of the Peking University (北京大學光華管理學院). He is also an executive director of the Accounting Society of China (中國會計學會), deputy head of the Financial Management Committee (財務管理專業委員會) and a director of the Chinese Tax Institute (中國稅務學會) and China Cost Research Society (中國成本研究會), and a member of the editorial committee of Accounting Research (《會計研究》) and Audit Research (《審計研究》). Mr. Lu has over 20 years of experience in the accounting industry and therefore has gained extensive operational and managerial experience as well as profound knowledge of this field. Mr. Lu served as an independent non-executive director of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) from February 2004 to January 2011 and has been serving as an independent supervisor of such company since January 2011. Mr. Lu has been an independent non-executive director of Sinotrans Limited (中國外運股份有限公司) since September 2004, an independent non-executive director of Sino Biopharmaceutical Limited (中國生物製藥有限公司) since November 2005, an independent non-executive director of Lian Life Insurance Company Limited (利安人壽保險股份有限公司) (an unlisted company) since May 2011, and was an independent non-executive director of Mit Automobile Service Co., Ltd. (麥特汽車服務股份有限公司) (an unlisted company) from February 2012 to December 2016. He has been an independent non-executive director of Bank of China Limited (中國銀行股份有限公司) since July 2013 and an independent non-executive director of Zhejiang Tailong Commercial Bank Co., Ltd. (浙江泰隆商業銀行股份有限公司) (an unlisted company) since March 2016. Mr. Lu was selected as one of the “Top 100 Talents Program (百人工程)” in social science theories in Beijing in 2001, one of the “New Century Excellent Scholarship Program (新世紀優秀人才支持計劃)” of the Ministry of Education of the PRC (中國教育部) in 2005, one of the first group candidates for the “National Accounting Training Project in the Full Record of Leading Talent (會計名家培養工程)” of the Ministry of Finance of the PRC in 2013 and one of the “Specially Appointed Professor of Chang Jiang Scholar (長江學者特聘教授)” of the Ministry of Education of the PRC in 2014. Mr. Lu graduated with a doctoral degree in economics from Nanjing University (南京大學) in June 1996 and completed the post-doctoral research in economics (accounting) at Renmin University of China (中國人民大學) in November 1999.

WANG Zhulin, aged 51, has been an independent non-executive Director of the Company since July 2016. Mr. Wang has been the chairman of Yinhua Fund Management Co., Ltd. (銀華基金管理有限公司) since February 2012, and is currently also the chief executive of the Merger and Finance Committee (併購融資委員會) of China Association for Public Companies (中國上市公司協會), the deputy president of the China Promotion Association for Employment and Entrepreneurship of Discharged Soldiers (中國退役士兵就業創業服務促進會), a director of Southwest Securities Company Limited (西南證券股份有限公司), a director of Quotation System for Securities Institutions in China Co., Ltd. (中證機構間報價系統股份有限公司), an independent director of Avic Power Co., Ltd. (中航動力股份有限公司), and a member of the Committee of Assets Appraisal Standards (資產評估準則委員會) of the Ministry of Finance of the PRC. Mr. Wang served as a lecturer of finance and accounting major of Gansu Province Staff Institute of Finance and Economics (甘肅省職工財經學院) from June 1987 to February 1992, and as the manager of the issue department in Gansu Province Securities Company (甘肅省證券公司) from February 1992 to October 1995. From October 1995 to December 1999, Mr. Wang served in China National BlueStar Chemical Industry Corporation (中國藍星化學工業總公司) as the division head, in BlueStar Cleaning Co., Ltd. (藍星清洗股份有限公司) as the director, deputy general manager and secretary to the board of directors, and as the leader of the preparation group of the BlueStar New Chemical Materials Co., Ltd. (藍星化工新材料股份有限公司). Mr. Wang served as the vice president in Southwest Securities Co., Ltd. (西南證券有限責任公司) from December 1999 to August 2007, as an external director of Shenzhen Yantian Port Group Co., Ltd. (深圳市鹽田港集團有限公司) from June 2007 to April 2009, as the vice president in China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司) from August 2007 to August 2008, as an independent director of SDIC Power Co., Ltd. (國投電力控股股份有限公司) from September 2007 to April 2009, as an independent director of Shanghai Chengtong Holding Co., Ltd (上海城投控股股份有限公司) from June 2008 to June 2009, as a director and the president in Southwest Securities Company Limited (西南證券股份有限公司) from August 2008 to February 2012. Mr. Wang served in China Securities Regulatory Commission as a member of the Review Sub-committee for Issuance (發行審核委員會) from December 2004 to May 2007 and as a member of the Review Sub-committee for Mergers, Acquisitions and Restructurings of Listed Companies (上市公司併購重組審核委員會) from September 2006 to May 2012, in the Securities Association of China (中國證券業協會) as a member of the Investment Banking Committee (投資銀行業專業委員會) from October 2004 to August 2011, and in ChongQing Securities and Futures Industry Association (重慶市證券期貨業協會) as the president from March 2011 to November 2012. Mr. Wang graduated with a doctoral degree in economics from Xi'an Jiaotong University (西安交通大學) in 2006.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

XU Weibing, aged 57, has been the chairman of the Supervisory Committee of the Company since July 2007. Ms. Xu served as the chief accountant of the Parent from October 2000 to August 2016 and the member of the standing committee of the Party Committee of the Parent from May 2009 to August 2016, respectively, and served as the director and the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation (中國非金屬材料總公司), from February 2002 to July 2007 and from March 2005 to July 2007, respectively. She has been the deputy general manager of CNBM Group since August 2016. Ms. Xu has over 30 years of working experience in financial accounting and capital operation. She previously served as the assistant accountant in the financial division of China Building Materials Academy (中國建材研究院) from July 1983 to June 1985, and as a deputy section officer in the economic and financial division of National Building Materials Bureau (國家建材局) from June 1985 to February 1989. She joined the Parent in February 1989 and had served various key accounting and financial positions. Ms. Xu served as a supervisor of Sinoma Science & Technology from December 2001 to September 2014, and has also been the chairman of the board of directors of Sinoma Finance since April 2013, and a director of Sinoma Energy Conservation Ltd. (中材節能股份有限公司) (a listed company) since December 2013. Ms. Xu is entitled to a special government allowance provided by the State Council. She also serves as the committee member of China Association of Chief Financial Officers (中國總會計師協會), deputy head of Geology Division of China Association of Chief Financial Officers (中國總會計師協會地質勘查分會) and deputy head of Geology Sub-committee of the Accounting Society of China (中國會計學會地質分會). Ms. Xu graduated from Liaoning Finance and Economics Institute (遼寧財經學院) in July 1983 with a bachelor degree, majoring in finance. Ms. Xu is also a senior accountant.

ZHANG Hai, aged 58, has been a shareholder representative Supervisor of the Company since July 2016. Mr. Zhang served in the Parent as the deputy general manager from January 1996 to August 2016, and as a member of the standing committee of the Party Committee of the Parent from May 2009 to August 2016 and the secretary to the board of directors of the Parent from May 2009 to April 2015. He has been the deputy general manager of CNBM Group since August 2016. Mr. Zhang served in the National Building Materials Bureau (國家建材局) at several positions such as a technician in Beijing FRP Research and Design Institute (北京玻璃鋼研究所) from August 1982 to August 1986, the principal staff, deputy division head, and division head of the personnel division from August 1986 to April 1994, and the head of the Party office from April 1994 to January 1996. Mr. Zhang also served as a non-executive Director of the Company from July 2011 to October 2014. Mr. Zhang graduated with a doctoral degree in economics from Wuhan University of Technology (武漢理工大學) in December 2007. Mr. Zhang is a professorate senior engineer.

GUO Yanming, aged 54, has been a shareholder representative Supervisor of the Company since July 2016. Mr. Guo has been the deputy general manager in BBMG Corporation since July 2012. Mr. Guo served in Beijing Building Material Products Central Factory (北京市建材製品總廠) as an officer and deputy director of enterprise management division successively from August 1985 to July 1989, in Beijing Building Materials Group Corporation (北京建築材料集團總公司) as an officer, deputy general manager of the personnel department successively from July 1989 to March 1999, in Toto Machinery (Beijing) Company Limited (東陶機器(北京)有限公司) as a Chinese side management staff, the assistant to the general manager and the deputy general manager successively from December 1997 to June 2003, and in Beijing Ceramic Factory (北京市陶瓷廠) as the deputy secretary to the Party Committee and the secretary to the Party Committee successively from November 2001 to June 2003. Mr. Guo previously served in BBMG Corporation as the assistant to the general manager and the manager of production and operation department successively from June 2003 to April 2009, and in BBMG Corporation as the chief economist and the vice president successively from March 2006 to July 2012. Mr. Guo graduated with a bachelor degree in business administration from Beijing Institute of Economics (北京經濟學院) in August 1985. Mr. Guo is a senior economist.

WANG Yingcai, aged 45, has been an employee representative Supervisor of the Company since July 2013. Mr. Wang has served as the head of the audit department of the Company since August 2007, and has been a secretary to the disciplinary committee of the Company since August 2016. Mr. Wang worked at the finance division of the China Construction Materials and Geological Prospecting Center (中國建築材料工業地質勘查中心) from July 1994 to April 1997, worked at the finance department of the Parent from April 1997 to April 2004, and served as the finance manager and vice chief accountant of Sinoma Jinjing from April 2004 to August 2007. He served as the chief auditor of the Parent from December 2010 to August 2016 and as the head of the audit department of the Parent from May 2011 to August 2016. Mr. Wang served as the supervisor of Tianshan Cement from September 2009 to December 2011, the supervisor of Qianlianshan Co. from October 2011 to November 2014, and the supervisor of Ningxia Building Materials from December 2011 to April 2015, and has served as the supervisor of Yangzhou Zhongke Semiconductor Lighting Co., Ltd. (揚州中科半導體照明有限公司) since October 2007 as well as the chairman of the supervisory committee of Sinoma Finance since April 2013. Mr. Wang graduated with a master degree majoring in accounting from the Academy of Fiscal Science of the Ministry of Finance (財政部科研所) in July 2007. Mr. Wang is a senior accountant and a registered tax agent.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

QU Xiaoli, aged 46, has been an employee representative Supervisor of the Company since July 2010. Mr. Qu has been serving as the head of the finance department of the Company since August 2007. Mr. Qu served in the audit division of China Construction Materials and Geological Prospecting Center (中國建築材料工業地質調查中心) from July 1995 to November 1999. He also served as the chief accountant of Xiamen Standard Sand from November 1999 to August 2006. Mr. Qu served as a supervisor of Sinoma International from July 2011 to September 2014, a supervisor of Qilianshan Co. from October 2011 to November 2014, and a supervisor of Tianshan Cement and Ningxia Building Materials from December 2011 to April 2015 and has been a supervisor of Sinoma Finance since April 2013. Mr. Qu graduated from Hebei College of Geology (河北地質學院) in July 1995 and majored in accounting. He is also a senior accountant.

SENIOR MANAGEMENT

PENG Jianxin, is the president of the Company, whose details are set out in the section headed "Executive Directors".

FU Jinguang, aged 43, is the vice president and the deputy secretary to the Party Committee of the Company. Mr. Fu served various positions such as head of quality control office of equipment division and engineer in 61267 Force (61267部隊) from July 1997 to June 2006. Mr. Fu served as the secretary to the office of the Parent from July 2006 to August 2007 and deputy head of the president office of the Company from August 2007 to August 2009. Mr. Fu served in various key positions such as the head of the office, an assistant to the general manager and secretary of the board of directors of the Parent from August 2009 to September 2016. Mr. Fu graduated with a master degree majoring in engineering from PLA University of Science and Technology (解放軍理工大學) in June 2008. He is a senior engineer.

YU Mingqing, aged 53, is the vice president of the Company. Mr. Yu worked in Wuhan Building Materials Industry Design and Research Institute (武漢建築材料設計研究院), currently a subsidiary of the Parent, from June 1988 to June 1989. Mr. Yu worked at Shandong Industrial Ceramics Research and Design Institute (山東工業陶瓷研究設計院) from July 1989 to April 2001, where he served various key positions such as vice head and head of the institute. Mr. Yu also served as the head of Sinoma Synthetic Crystals Research Institute (中材人工晶體研究院), currently a subsidiary of the Parent, from May 2001 to November 2005. Mr. Yu served as the chairman of the board of directors of Sinoma Advanced Materials from June 2004 to February 2009, and he has been the deputy general manager of China National Non-Metallic Materials Corporation (中國非金屬材料總公司), the predecessor of the Company, since October 2004. Mr. Yu has worked for over 25 years in the non-metallic materials industry and has accumulated extensive knowledge of the industry. He is entitled to a special government allowance provided by the State Council and is a Provincial Young and Middle Aged Expert with Important Contribution (省部級有重要貢獻的中青年專家) and an Outstanding Entrepreneur in the National Building Materials Industry (全國建材行業優秀企業家). Mr. Yu also serves as the member of China Building Materials Federation (中國建築材料聯合會) and member of the State Construction Material Industry Technology Education Committee (國家建築材料工業科技教育委員會). Mr. Yu graduated from Wuhan University of Technology (武漢理工大學) in January 2003, majoring in materials and holds a doctoral degree in engineering. Mr. Yu is currently a professorate senior engineer.

GU Chao, aged 56, is the vice president of the Company and the secretary to the Board of the Company. Mr. Gu joined China Building Materials Industry Construction Corporation (中國建築材料工業建設總公司), the predecessor of the Company, in 1989, where he served various senior managerial positions in production, business development and overseas engineering departments. Mr. Gu served as a deputy general manager of the Company's predecessor China National Non-Metallic Materials Corporation (中國非金屬材料總公司) since September 2000, and has been a director of Sinoma International since September 2015. Mr. Gu has over 25 years of work experience in the non-metallic materials industry and has profound understanding of the industry. Mr. Gu graduated from Xi'an University of Architecture and Technology (西安冶金建築學院) in July 1982, majoring in constructions. Mr. Gu is currently a professorate senior engineer.

SU Kui, aged 54, is the vice president of the Company. Mr. Su has extensive experience in corporate investment, operation and management, and has more than 30 years of experience in the non-metallic materials industry. Mr. Su joined the Parent in 1987 and held various positions such as manager of the general planning department, manager of economic and finance department, manager of planning and technical department and assistant to the general manager of the Parent. Mr. Su has been serving as the deputy general manager of the Company's predecessor, China National Non-Metallic Materials Corporation (中國非金屬材料總公司), since March 2002 and was the secretary of the Board of the Company from July 2007 to July 2010. Mr. Su is also a member of the State Construction Material Industry Technology Education Committee (國家建築材料工業科技教育委員會), standing director of Chinese Ceramic Society (中國矽酸鹽學會) and honorary director-general of Non-metallic Minerals Branch (非金屬礦分會). Mr. Su graduated from Wuhan University of Technology (武漢理工大學) in July 1984, majoring in non-metals mining. He is currently a professorate senior engineer.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUI Yumin, aged 52, is the vice president of the Company and has been serving as the chairman of the board of directors of Sinoma Cement since April 2010. Mr. Sui has over 30 years of extensive work experience in the cement industry. He held various positions in Lunan Cement Factory (魯南水泥廠) from August 1986 to August 2003 such as deputy chief engineer and executive deputy general manager. Mr. Sui served as the deputy general manager of Sinoma Cement and the chairman of the board of directors and general manager of Sinoma Hanjiang from August 2003 to September 2004. Subsequently, Mr. Sui served as the deputy general manager and executive deputy general manager of Tianshan Cement until July 2007. Mr. Sui served as a director of Tianshan Cement from October 2005 to December 2013, and a director of Ningxia Building Materials from December 2008 to April 2015. Mr. Sui is entitled to special government allowances from the State Council, and is currently the vice president of China Cement Association (中國水泥協會). Mr. Sui graduated from Shandong Institute of Building Materials (山東建材學院) in July 1986, majoring in cement engineering, and obtained his executive master degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2010. Mr. Sui is currently a professorate senior engineer.

WANG Guanglin, aged 58, is the vice president of the Company. Mr. Wang has over 30 years of experience in cement industry. He held various positions such as an assistant to the head and the deputy head of Ningxia Cement Factory (寧夏水泥廠) from November 1984 to March 1997, and successively served as head, deputy general manager, chairman of the board of directors and general manager in Qingtongxia Cement Factory (青銅峽水泥廠), Ningxia Hui Autonomous Region Building Materials Industrial Corporation (寧夏回族自治區建築材料工業總公司), Qingtongxia Cement Corporation (青銅峽水泥集團公司) and Ningxia Building Materials Group from March 1997 to November 2005, respectively. He served as the chairman of the board of directors of Sinoma Cement from September 2007 to April 2010, and served as the chairman of the board of directors of Ningxia Building Materials from November 2005 to November 2013. Mr. Wang has also been serving as a director of Ningxia Building Materials since October 2003, and served as a director of Tianshan Cement from January 2014 to April 2015. Mr. Wang graduated with a master degree in business administration from Chinese University of Hong Kong (香港中文大學) in December 2008. Mr. Wang is currently a professorate senior engineer.

LIU Yan, aged 51, is the vice president of the Company. Mr. Liu has also been serving as the chairman of the board of directors of Sinoma Advanced Materials since January 2010. Mr. Liu joined the Parent in 1985 and held various positions such as assistant to the head and deputy head of Nanjing Fiberglass R&D Institute (南京玻璃纖維研究設計院). Mr. Liu was the vice president of Sinoma Science & Technology from December 2001 to May 2003 and was the president of Sinoma Science & Technology from May 2003 to October 2009. Mr. Liu graduated from Nanjing University of Technology (南京工業大學) in July 1985, majoring in silicate engineering. Mr. Liu is currently a senior engineer.

YU Kaijun, aged 53, is the chief financial officer of the Company and has been the vice president of the Company since July 2016. Mr. Yu worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Mr. Yu served in various positions including the chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (深圳蘭光科技股份有限公司) (and its predecessor, Shenzhen Languang Electronic Industrial Corporation (深圳蘭光電子工業總公司)) from November 1990 to October 2001. Mr. Yu served as the chief financial officer of Sinoma International from December 2001 to January 2011. Mr. Yu served as a supervisor of Tianshan Cement and Ningxia Building Materials from December 2011 to April 2015, a director of BBMG Corporation from August 2014 to November 2015, and has been a supervisor of BBMG Corporation since November 2015. Mr. Yu graduated from the Hong Kong Polytechnic University (香港理工大學) in December 2006, majoring in accounting and obtained a master degree in accounting. He is currently a senior accountant.

SONG Shoushun, aged 53, is the vice president of the Company. Mr. Song served various key positions such as the deputy head and a member of the Party Committee of Tianjin Cement Industry Design & Research Institute (天津水泥工業設計研究院) from August 1982 to September 2005. He served as the deputy general manager of China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation (中國建材工業對外經濟技術合作公司) from September 2005 to August 2009. He served as the vice president of Sinoma International from August 2009 to September 2014 and has been the chairman of board of directors and secretary to the Party Committee of Sinoma International since September 2014. He also served as chairman of board of directors of Tianjin Cement Industry Design & Research Institute Co., Ltd. (天津水泥工業設計研究院有限公司) from January 2010 to June 2011 and chairman of board of directors of Sinoma Equipment Group Co., Ltd. (中材裝備集團有限公司) from January 2011 to October 2015. He has been the secretary to the Party Committee of Tianjin Cement Industry Design & Research Institute Co., Ltd. (天津水泥工業設計研究院有限公司) since October 2015. Mr. Song is entitled to a special government allowance provided by the State Council. He graduated from Tongji University (同濟大學) and obtained a bachelor degree in construction materials engineering in July 1982. Mr. Song is a professorate senior engineer.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

XUE Zhongmin, aged 50, is the vice president of the Company. Mr. Xue served various key positions such as the deputy director and director of State Bureau of State Building Materials Bureau FRP Research and Design Institute (國家建材局玻璃鋼研究設計院) from July 1988 to June 1999. He previously served in Beijing FRP Research and Design Institute (北京玻璃鋼研究設計院) as the deputy head, head of the institute and deputy secretary to the Party Committee from June 1999 to July 2011, and served in Beijing Composite Material Co., Ltd (北京玻鋼院複合材料有限公司) as the deputy general manager, general manager and chairman of the board of directors from December 2002 to July 2011. He served as the chairman of the board of directors of Sinoma Blade from May 2007 to July 2011 and the chairman of the board of directors of Beijing Sinoma Composite Auto Parts Co., Ltd (北京中材汽車複合材料有限公司) from July 2008 to February 2009. Mr. Xue served as the vice president and vice chairman of Sinoma Science & Technology from December 2004 to May 2013 and has been the chairman of board of directors of Sinoma Science & Technology since May 2013. Mr. Xue is entitled to special government allowances provided by the State Council, and is currently the vice president of China Building Material Federation (中國建築材料聯合會) and China Composites Industry Association (中國複合材料工業協會), the president of the FRP Branch of the Chinese Silicate Society (中國矽酸鹽學會玻璃鋼分會) and the executive director of Chinese Society for Composite Material (中國複合材料學會). Mr. Xue graduated from Beijing University of Aeronautics and Astronautics (北京航空航天大學) and obtained a doctor degree in materials processing engineering in December 2005. Mr. Xue is a professorate senior engineer.

LIU Biao, aged 50, is the vice president of the Company. Mr. Liu joined Hunan Bureau of the General Administration of Civil Aviation of China (中國民航湖南省管理局) and worked as an accountant in the the labor section and deputy director of the finance department from July 1987 to August 1992. He joined China Southern Airlines Company Limited (中國南方航空股份有限公司) and held key finance related positions from August 1992 to June 1998. He served as the deputy manager and manager of the finance department of Guizhou Airlines Company Limited of Southern Airlines (南航貴州航空有限公司) from June 1998 to August 2001. He was the deputy head and head of the operation appraisal office of China Southern Airlines Company Limited (中國南方航空股份有限公司) from August 2001 to July 2003, the deputy general manager of Shantou Airlines Company Limited of CSAHC (南航集團汕頭航空有限公司) from July 2003 to November 2005 and the deputy general manager of the finance department of China Southern Airlines Company Limited (中國南方航空股份有限公司) from November 2005 to March 2007. He served as the department head of the audit department and the deputy general director of the supervisory bureau of China Southern Air Holding Company (中國南方航空集團有限公司), supervisor of China Southern Airlines Company Limited (中國南方航空股份有限公司), chairman of the supervisory committee of Southern Airlines Group Finance Company Limited (中國南航集團財務有限公司) and chairman of the supervisory committee of Southern Airlines Culture and Media Co., Ltd. (中國南航集團文化傳媒有限公司) from March 2007 to July 2007. Mr. Liu served as the chief financial officer of the Company from July 2007 to July 2010, general economist of the Parent and deputy general manager of Sinoma Cement from July 2010 to July 2016. He temporarily served as a member of the standing committee of municipal party committee and vice mayor of Xuancheng of Anhui Province from December 2013 to July 2016. Mr. Liu was awarded a master's degree in business administration by Wuhan University (武漢大學) in June 2007. Mr. Liu is a senior economist and accountant with the qualification of the Chinese Institute of Certified Public Accountants.

Directors, Supervisors and senior management have no other relationships with other Directors, Supervisors and senior management apart from working relationships.

DIRECTORS' REPORT

The Board is pleased to present the annual report for the year ended 31 December 2016, together with the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Group is principally engaged in the cement equipment and engineering services, cement and high-tech materials businesses. Details of the businesses of the Company's principal subsidiaries are set out in note VIII.1.(1) to the financial statements. Further discussion of the businesses (including the discussion on the major risks and uncertainties faced by the Group and future possible development of the businesses of the Group) as required by Schedule 5 to the Companies Ordinance are set out in the Management Discussion and Analysis on pages 10 to 22 of this report. Such discussion forms part of this Directors' Report.

RESULTS

The results of the Group for the year ended 31 December 2016 and the financial information of the Group as at 31 December 2016 are set out in the audited financial statements of this report.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2016 is set out as follows:

Class of Share	Number of Shares	Approximate Percentage to the Total Issued Share Capital
Domestic shares	2,276,522,667	63.74%
Foreign shares		
Unlisted foreign shares	130,793,218	3.66%
H Shares	1,164,148,115	32.60%
Total	3,571,464,000	100%

DIVIDEND

The Board recommends the distribution of final dividend of RMB0.03 per share (tax inclusive) in an aggregate amount of approximately RMB107.14 million (tax inclusive) for the year ended 31 December 2016.

DEBENTURE

In order to repay loans and to replenish the working capital, the Company issued super short-term commercial paper with face value of RMB3,500.00 million and issue amount of RMB3,500.00 million for the year ended 31 December 2016.

PUBLIC FLOAT

As at the date of this report, based on the public information available to the Company and as far as the Directors are aware, the Company fulfilled the public float requirement under Rule 8.08 of the Listing Rules.

DIRECTORS AND SUPERVISORS

During the Reporting Period and up to the date of this report, certain information concerning the Directors and the Supervisors is set out below:

Name	Position	Gender	Age	Term
LIU Zhijiang	Chairman of the Board and Executive Director	Male	59	29 July 2016 – 28 July 2019
PENG Jianxin	Executive Director and President	Male	57	29 July 2016 – 28 July 2019
YU Shiliang	Non-executive Director	Male	62	30 July 2013 – 29 July 2016
LI Xinhua	Vice-chairman of the Board, Non-executive Director	Male	52	29 July 2016 – 28 July 2019
LI Jianlun	Non-executive Director	Male	59	29 July 2016 – 28 July 2019
Yu Guobo	Non-executive Director	Male	60	30 July 2013 – 29 July 2016
TANG Baoqi	Non-executive Director	Male	57	30 July 2013 – 29 July 2016
SHEN Yungang	Non-executive Director	Male	50	29 July 2016 – 28 July 2019
WANG Fengting	Non-executive Director Supervisor	Male	41	29 July 2016 – 28 July 2019 24 May 2016 – 29 July 2016
LEUNG Chong Shun	Independent Non-executive Director	Male	51	29 July 2016 – 28 July 2019
LU Zhengfei	Independent Non-executive Director	Male	53	29 July 2016 – 28 July 2019
WANG Shimin	Independent Non-executive Director	Male	68	30 July 2013 – 29 July 2016
ZHOU Zude	Independent Non-executive Director	Male	71	30 July 2013 – 29 July 2016
WANG Zhulin	Independent Non-executive Director	Male	51	29 July 2016 – 28 July 2019
XU Weibing	Chairman of the Supervisory Committee	Female	57	29 July 2016 – 28 July 2019
ZHANG Renjie	Supervisor	Male	52	30 July 2013 – 29 March 2016
WANG Jianguo	Supervisor	Male	60	30 July 2013 – 29 July 2016
ZHANG Hai	Supervisor	Male	58	29 July 2016 – 28 July 2019
GUO Yanming	Supervisor	Male	54	29 July 2016 – 28 July 2019
WANG Yingcai	Supervisor	Male	45	29 July 2016 – 28 July 2019
QU Xiaoli	Supervisor	Male	46	29 July 2016 – 28 July 2019

The term of office of none of the Directors is more than 3 years.

The biography details of the Directors and the Supervisors are set out in the section of "Biography of Directors, Supervisors and Senior Management".

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Company's Shares, Underlying Shares and Debentures

As at the date of this report, Mr. Zhang Hai, Supervisor of the Company, is interested in 42,000 H Shares (long position) of the Company. Save as disclosed above, no Director, Supervisor or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the laws of Hong Kong), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

Directors', Supervisors' and Chief Executive's Rights in the Subscription of Shares and Debentures

During the Reporting Period, no Director, Supervisor or chief executive of the Company or their respective spouses or children under the age of 18, had been granted any right by the Company to subscribe for shares or debentures of the Company or any of its associated corporations, or had exercised any such right to subscribe for the above shares or debentures.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, so far as the Directors, Supervisors and the chief executive of the Company are aware, the persons listed in the following table had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Type of Shares	Nature of interests	Number of Shares interested	Percentage to the respective class of issued shares capital	Percentage to the total share capital
China National Materials Group Corporation Ltd. ²	Domestic Shares	N/A	1,558,746,965	68.47%	43.64%
China Cinda Asset Management Co., Ltd.	Domestic Shares	N/A	319,788,108	14.05%	8.96%
Taian Taishan Investment Co., Ltd.	Domestic Shares	N/A	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited ³	Unlisted Foreign Shares	N/A	130,793,218	100.00%	3.66%
National Council for Social Security Fund	H Shares	Long position	93,124,115	7.99%	2.61%

Note:

1. The above information is based on the data provided on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).
2. Sinoma Group directly holds 1,494,416,985 Domestic Shares of the Company and holds 64,329,980 Domestic Shares of the Company through Tianshan Group (a subsidiary of Sinoma Group). As at 31 December 2016, Sinoma Group holds 50.95% equity interest in Tianshan Group.

On 8 March 2017, the Company was notified by CNBM Group that the registration regarding the transfer of Sinoma Group into CNBM Group at nil consideration with the relevant industry and commerce authorities has been completed. As at the date of this report, CNBM Group holds 1,494,416,985 Domestic Shares of the Company through Sinoma Group (a subsidiary of CNBM Group), and holds 64,329,980 Domestic Shares of the Company through Tianshan Group (a subsidiary of CNBM Group). As at the date of this report, CNBM Group holds 100% equity interest in Sinoma Group, and holds 50.95% equity interest in Tianshan Group through Sinoma Group.
3. As at 31 December 2016, Well Kent is a wholly-owned subsidiary of Cinda. On 20 February 2017, China Securities Depository and Clearing Corporation Limited issued the Confirmation Letter for Securities Transfer and Registration (《過戶登記確認書》) in respect of the transfer by Well Kent of 130,793,218 unlisted foreign shares of the Company in total held by it to Forchn International.

Save as disclosed above, so far as the Directors, Supervisors and chief executive of the Company are aware, as at 31 December 2016, there was no other person having interests and/or short positions in the shares and underlying shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register referred to therein.

MAJOR CUSTOMERS AND SUPPLIERS

The total revenue from the five largest customers of the Group in aggregate accounted for less than 30% of the Group's total revenue in 2016.

The total consolidated purchases made by the Group from its five largest suppliers accounted for less than 30% of the Group's total purchases in 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2016, the addition of property, plant and equipment of the Group was approximately RMB3,711.66 million. Details of the movements are set out in note VI.16 to the financial statements.

RESERVES

As at 31 December 2016, the distributable profit of the Company was RMB932.82 million.

EMPLOYEES

As at 31 December 2016, the Group had 58,637 employees.

REMUNERATION POLICY

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating the remuneration policy and remuneration proposal for the executive Directors and senior management of the Company in accordance with its terms of reference. The remuneration of the executive Directors is determined and realized according to the service contracts of the Directors as considered and approved at the general meeting and the operating performance of the Company. The remuneration of the non-executive Directors, the independent non-executive Directors and the Supervisors is determined and realized according to the service contracts of the non-executive Directors, the independent non-executive Directors and the Supervisors as considered and approved at the general meeting.

An annual salary system is implemented for senior management of majority-owned and wholly-owned subsidiaries of the Company, and the annual salary of which are determined according to company size and realized benefits. The Company adopts position-based remuneration system for general management staff, and their remuneration is determined according to the relative importance of the positions, the duties assumed in the positions and other factors.

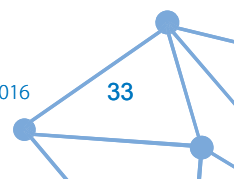
Various salary models such as piece rate and skill-based wage model are adopted for other employees based on the distinctive employee category and their job natures.

The Company stringently controls the management of the total amount of salaries of its majority-owned and wholly-owned subsidiaries in accordance with the applicable policy of the Chinese government. It seeks to maintain an appropriate balance between salary increase and the growth in economic benefits, in order to achieve a win-win situation among shareholders, management and employees and facilitate the harmonious development of the enterprise.

As required by the relevant state and local labour and social welfare laws and regulations, the Company contributes to certain housing fund and social insurance premiums for its employees on a monthly basis. Insurance premiums are paid for retirement insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance. In Beijing, as required by the prevailing and applicable local laws and regulations, the Company's contributions to retirement insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing fund shall account for 20%, 10%, 1%, 0.3%, 0.8% and 12% of the total basic monthly salary of an employee.

RETIREMENT PLAN OF EMPLOYEES

Details are set out in note VI.29 and VI.39 to the financial statements.



DIRECTORS' REPORT

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATIONS

Details of the remuneration of the Directors, Supervisors and chief executive of the Company are set out in note XI.(IV) to the notes to the financial statements, the remuneration of other senior management of the Company fell within the following bands:

	2016 (person)
RMB1,000,000.00 and below	11
RMB1,000,000.01 to RMB1,500,000.00	1
RMB1,500,000.01 to RMB2,000,000.00	2
	14

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all the Directors and the Supervisors with a term of up to 3 years. No Director or Supervisor has entered into or intends to enter into a service contract with the members of the Group which cannot be terminated by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No Director or Supervisor of the Company or any entity connected with them had a material interest, either directly or indirectly, in any material transaction, arrangement or contract relating to the business of the Group, to which the Company or any of its subsidiaries was a party, and which was subsisting at the end of the year of 2016 or at any time during the year of 2016.

PERMITTED INDEMNITY PROVISION

The Company has placed liability insurance for the Directors, Supervisors and the senior management covering, among others, the possible loss to be incurred arising from the initial claims for compensation due to their factual or accused misconducts.

MANAGEMENT CONTRACT

During the Reporting Period, the Company has not signed or held any contract concerning the management of the general business or any major business segment of the Company.

CONNECTED TRANSACTIONS

1. Exempted Connected Transactions

1.1 Non-competition Agreement

The Company entered into a non-competition agreement with the Parent on 23 November 2007, pursuant to which the Parent agreed not to, and to procure its subsidiaries (other than the Group) not to, compete with the core businesses of the Group and granted the Group options and pre-emptive rights to acquire the retained business and certain future business from the Parent.

For the year ended 31 December 2016, save as disclosed in the prospectus of the Company, no Director of the Company (including independent non-executive Directors) has made any decision to exercise the options.

For the year ended 31 December 2016, the Parent confirmed its compliance with the commitments stated in the non-competition agreement, and provided the independent non-executive Directors with all information required for the annual review and the execution of the non-competition agreement.

2. Non-exempted Connected Transactions

Except those as mentioned elsewhere in this annual report, the Group has not conducted other non-exempted connected transactions during the Reporting Period.

3. Non-exempted Continuing Connected Transactions

The Group conducted certain non-exempted continuing connected transactions in 2016. The table below sets out the annual caps and the actual transaction amounts of such transactions:

Connected Transactions		Expenditure		Revenue	
		Actual amount	Cap	Actual amount	Cap
		RMB	RMB	RMB	RMB
Property Lease Framework Agreement	(1)	6,417,000	20,000,000	–	–
Mutual Supply of Services Framework Agreement	(2)	263,070,000	2,000,000,000	3,244,000	50,000,000
Mutual Supply of Products Framework Agreement	(3)	107,267,000	700,000,000	14,088,000	400,000,000

		Deposit Services (Maximum daily balance (including accrued interests))		Other Financial Services (Services fee payable to Sinoma Finance)	
		Actual amount	Cap	Actual amount	Cap
		RMB	RMB	RMB	RMB
Financial Services Framework Agreement	(4)	4,856,496,000	5,000,000,000	222,000	150,000,000

3.1 Property Leasing Framework Agreement

In order to regulate the property leasing arrangements between the Parent Group and the Group, a property leasing framework agreement was renewed between the Parent and the Company on 21 August 2015.

Pursuant to the property leasing framework agreement, the Parent has agreed to lease and procure other members of the Parent Group to lease certain parcels of lands and buildings (including but not limited to production lines, office premises, warehouses and employee dormitories) in the PRC to the Group, for the purpose of the operation of the Group.

Under the property leasing framework agreement, the rentals shall be determined in accordance with the following pricing principles:

- (a) the relevant market price which shall be determined by reference to the rental information of at least two properties of similar specification and sizes in similar locations gathered by the subsidiaries of the Group and after arm's length negotiation based on such market terms to make sure that the terms offered by the Parent Group would not be less favourable than those offered by third parties on the market; or
- (b) where the relevant market price is not available, the contracted price, which shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate and by reference to the historical rentals. The reasonable cost shall be determined by reference to the size of the properties provided by the Parent Group (to be measured by companies with professional qualification), and the cost of property management; and the expected range of profit is from 1% to 10%, which is not higher than the profit rate charged to independent third parties.

Under the requirements of the property leasing framework agreement, the property leasing framework agreement was for a term of three years commencing from 1 January 2016 and ending on 31 December 2018. Upon expiry, the property leasing framework agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details of the transaction are set out in the announcement of the Company dated 21 August 2015 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the Reporting Period, the annual cap on the aggregate rentals payable by the Group to the Parent Group for 2016 under the above property leasing framework agreement was RMB20,000,000 and the total actual rental incurred was approximately RMB6,417,000.

On 8 February 2017, the Company entered into the Supplemental Agreement to the Mutual Supply of Services Framework Agreement, Mutual Supply of Products Framework Agreement and Property Leasing Framework Agreement with the Parent to terminate, among others, the property leasing framework agreement. On the same date, the Company entered into a new property leasing framework agreement with CNBM Group. Details of the transactions are set out in the announcement published on 8 February 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

3.2 Mutual Supply of Services Framework Agreement

On 21 August 2015, the Company entered into the mutual supply of services framework agreement with the Parent, pursuant to which, the Company has agreed that the Group supplies to the Parent Group certain services (including but not limited to supply of electricity, water and heating, design services and resources for power); whereas the Parent has agreed that the Parent Group supplies to the Group certain services (including but not limited to the Engineering, Procurement and Construction (EPC) of surplus energy electricity generation, project construction, exploration, equipment repair and installation, and logistics services).

Under the mutual supply of services framework agreement, the price shall be determined in accordance with the following pricing principles:

- (a) the relevant state-recommended price, which is available and applicable to the supply of electricity, exploration, and safety assessment services provided by the Parent Group to the Group according to the range of price determined pursuant to the Western Power Grid Sales Price Table in Inner Mongolia Autonomous Region promulgated by the Development and Reform Commission of Inner Mongolia Autonomous Region and the Notice on Adjustments to the Northwest Power Grid Sales Price promulgated by the National Development and Reform Commission, the Engineering Exploration Industry Convention of Ningxia Hui Autonomous Region co-sponsored by the Ningxia Survey and Design Association and the Ningxia station of the National Construction Survey Technology Information Network, Fee-charging Items and Standard of Safety Evaluation of Ningxia Hui Autonomous Region (Trial) promulgated by the Price Control Administration and Administration of Work Safety of Ningxia Hui Autonomous Region and the Guidance of Occupational Health Service Fee promulgated by the Occupational Health Service Branch of China Occupational Safety and Health Association, respectively, and with reference to the quotation offered by three independent suppliers from local comparable relevant market, the market conditions within the current month, the historical price of the corresponding period and so on;

Since the supply of electricity, exploration, and safety assessment services provided by the Parent Group to the Group is taken place in Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region, the state-recommended prices stipulated by the local government authorities in Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region (as amended from time to time and published on their own official websites) are applicable to the aforesaid services.

- (b) where there is no state-recommended price, then according to the relevant market price which shall be determined by reference to the prevailing market prices for comparable services which are available on an arm's length basis and provided by at least two independent services providers located in the same region or surrounding areas thereof;
- (c) where there is no relevant market price, then according to the contracted price, which shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate and by reference to the historical figures for preceding years;
 - 1) the reasonable cost shall be determined by reference to the provision cost of the services provided by the Parent Group or the Group which includes the price of the raw materials, labor cost and so on; and
 - 2) the expected range of profit of the services provided by the Parent Group to the Group is from 1% to 10%, which is not higher than the profit rate charged to independent third parties; and the expected range of profit of the services provided by the Group to the Parent Group is from 1% to 10%, which is not lower than the profit rate charged to independent third parties. The above-mentioned range of profit is determined after arm's length negotiation after taking into account of various factors including operation costs, average profit rate in the relevant industry, and historical transaction conditions; or

- (d) as to certain project sub-contract services provided by the Parent Group to the Group, the price will be arrived by public tender process. The Group shall stringently following the steps and/or measurements as stipulated by The Invitation And Submission of Bids Law of the PRC during the bidding process. The Group has stipulated the internal manual regarding the management of relevant bidding process.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the technical and quality requirements of certain project sub-contract services, the criteria for examination of the suppliers, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) adhering the process is in accordance with The Invitation And Submission of Bids Law of the PRC; (ii) reviewing, evaluating and monitoring documents from external suppliers based on the technical, commercial and pricing criteria and payment terms in respect of certain project sub-contract services, which will ensure the terms obtained by the Group from the Parent Group is not less favorable than those available from independent third parties; and (iii) grading the external suppliers and writing recommendation advice. The Group's bid office is responsible for deciding which project construction suppliers will be awarded in terms of certain project sub-contract services under the mutual supply of services framework agreement.

The mutual supply of services framework agreement is for a term of three years commencing from 1 January 2016 and ending on 31 December 2018. Upon expiry, the mutual supply of services framework agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details of the transaction are set out in the announcement published on 21 August 2015 and the circular of the Company published on 25 August 2015 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the Reporting Period, a) the annual cap on revenue from the provision of certain services to the Parent Group by the Group for 2016 was RMB50,000,000 and the actual revenue incurred was approximately RMB3,244,000; b) the annual cap on expenditure resulting from the provision of certain services to the Group by the Parent Group for 2016 was RMB2,000,000,000 and the actual expenditure incurred was approximately RMB263,070,000.

On 8 February 2017, the Company entered into the Supplemental Agreement to the Mutual Supply of Services Framework Agreement, Mutual Supply of Products Framework Agreement and Property Leasing Framework Agreement with the Parent to terminate, among others, the mutual supply of services framework agreement. On the same date, the Company entered into a new mutual supply of services framework agreement with CNBM Group. Details of the transactions are set out in the announcement published on 8 February 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

3.3 Mutual Supply of Products Framework Agreement

On 21 August 2015, the Company entered into the mutual supply of products framework agreement with the Parent, pursuant to which, the Company has agreed that the Group purchases for self-use and the Parent has agreed that the Parent Group sells certain products (including but not limited to equipment and parts, raw materials, fuel oil and precious metals); whereas the Parent has agreed that the Parent Group purchases for self-use or for export to the third parties independent from the Group as the Group was lack of the relevant export license, and the Company has agreed that the Group sells certain products (including but not limited to cement, concrete products, equipment, ceramic knife, standard sands and Alumina). There is no overlapping products under the mutual supply of products framework agreement.

Under the mutual supply of products framework agreement, the price shall be determined in accordance with the following pricing principles:

- (a) the relevant state-recommended price which is available and applicable to the supply of standard sand by the Group to the Parent Group according to the range of price pursuant to the Regional Highest Sales Price across the Country of China ISO Standard Sand reviewed and determined by Xiamen ISO Standard Sand Co., Ltd., the general distributor of ISO standard sand in the PRC, and local pricing departments, and with reference to the quotation obtained by three local independent parties located in the same region or adjacent areas thereof, the prevailing market conditions within the current month, the historical price of the corresponding period and so on;

Since Xiamen ISO Standard Sand Co., Ltd., a subsidiary of the Company, is the general distributor of ISO standard sand in the PRC, the Regional Highest Sales Price across the Country of China ISO Standard Sand are reviewed and determined by Xiamen ISO Standard Sand Co., Ltd. and local pricing departments, and the aforesaid state-recommended price (as amended from time to time) is applicable to the supply of standard sand by the Group to the Parent Group. The aforesaid state-recommended price is not published and is only available to the local distributors of standard sand.

- (b) where there is no state-recommended price, then according to the relevant market price which shall be determined by reference to the prevailing market prices for comparable products which are available on an arm's length basis and provided by at least two independent products producers located in the same region or surrounding areas thereof;
- (c) where there is no relevant market price, then according to the contracted price, which shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate and by reference to market condition, and the historical figures for preceding years;
 - 1) the reasonable cost shall be determined by reference to the production cost of the products provided by the Parent Group or the Group which includes the price of raw materials, labor cost, manufacturing expense and so on; and
 - 2) the expected range of profit of the products provided by the Parent Group to the Group is from 1% to 10%, which is in line with the industry standard and not higher than the profit rate charged to independent third parties; and the expected range of profit of the products provided by the Group to the Parent Group is from 1% to 10%, which is in line with the industry standard and not lower than the profit rate charged to independent third parties. The above-mentioned range of profit is determined after arm's length negotiation and after taking into account of various factors including operation costs, average profit rate in the relevant industry, and historical transaction conditions; or

- (d) as to the supply of certain equipment by the Group to the Parent Group, the price shall be arrived by public tender process. The Group shall strictly comply with The Invitation And Submission of Bids Law of the PRC and all the essential requirements set out in the bid invitation of the Parent Group during the bidding process. In preparing for the submission of a tender, tender review meeting of the relevant subsidiary of the Group will be held to perform a thorough analysis of the project management guidelines, the collection of cost and other essential data. In pricing a tender, the relevant department of the Group will also run the cost analysis and make references to recent project quotations and related market information. The procedures above can ensure that the tender price to be offered by the Group are fair and reasonable and no more favorable than the price and terms offered by the Group to the independent third parties.

The mutual supply of products framework agreement is for a term of three years commencing from 1 January 2016 and ending on 31 December 2018. Upon expiry, the mutual supply of products framework agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details of the transaction are set out in the announcement of the Company published on 21 August 2015 and the circular of the Company published on 25 August 2015 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the Reporting Period, a) the annual cap on revenue from the sale of certain products to the Parent Group by the Group for 2016 was RMB400,000,000 and the actual revenue incurred was approximately RMB14,088,000; b) the annual cap on expenditure resulting from the sale of certain products to the Group by the Parent Group for 2016 was RMB700,000,000 and the actual expenditure incurred was approximately RMB107,267,000.

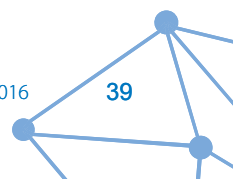
On 8 February 2017, the Company entered into the Supplemental Agreements to the Mutual Supply of Services Framework Agreement, Mutual Supply of Products Framework Agreement and Property Leasing Framework Agreement with the Parent to terminate, among others, the mutual supply of products framework agreement. On the same date, the Company entered into a new mutual supply of products framework agreement with CNBM Group. Details of the transactions are set out in the announcement of the Company published on 8 February 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

3.4 Financial Services Framework Agreement

On 21 August 2015, the Company and Sinoma Finance entered into the financial services framework agreement, pursuant to which Sinoma Finance agreed to provide deposit services, loan services and other financial services¹ to the Group.

The pricing principles of the financial services to be provided by the Sinoma Finance to the Group under the financial services framework agreement are as follows:

- 1) In respect of deposit services, the interest rates for deposits provided to the Group by Sinoma Finance shall not be lower than the lowest rate allowed by the People's Bank of China ("PBOC") (the information on the interest rates or fees stipulated by the PBOC is available for the public at the official website of the PBOC, <http://www.pbc.gov.cn/>) for similar types of deposits. In addition, the interest rates for deposits shall be (i) not lower than the interest rates for similar types of deposits payable by Sinoma Finance to other members of Parent Group under the same conditions; and (ii) not lower than the interest rates for similar types of deposits provided by normal commercial banks in the PRC under the same conditions.
- 2) In respect of loan services², the interest rates for loans provided to the Group by Sinoma Finance shall not be higher than the upper limit allowed by the PBOC for the similar types of loans. In addition, the interest rates for the loans shall be (i) not higher than the interest rates charged by Sinoma Finance to other members of Parent Group for the similar loans under the same conditions; and (ii) not higher than the interest rates for the similar loans charged by normal commercial banks in the PRC under the same conditions.



DIRECTORS' REPORT

- 3) In respect of other financial services, the fees for other financial services charged by Sinoma Finance shall not be higher than the upper limit (if applicable) of the fees stipulated by the PBOC. In addition, the fees shall be (i) not higher than the fees for similar types of financial services charged by Sinoma Finance to other members of Parent Group under the same conditions; and (ii) not higher than the fees for similar types of financial services charged by normal commercial banks in the PRC under the same conditions.
- 1 Other financial services under the financial services framework agreement include (but not limited to) bills acceptance and discounting services, assistance in achieving the collection and payment of the transactions proceeds, clearing and settlement services, financial leasing, financial advising, credit verification and related consulting, agency services and other business approved by China Banking Regulatory Commission.
 - 2 In respect of the loan services provided by Sinoma Finance to the Group, as the Group did not grant securities on any asset of the Group as security in respect of the loans, and the loan services were on the common commercial terms, therefore, the loan services under the financial services framework agreement were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The financial services framework agreement is for a term of three years commencing from 1 January 2016 and ending on 31 December 2018. Upon expiry, the financial services framework agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. Details of the transaction are set out in the announcement of the Company published on 21 August 2015 and the circular of the Company published on 25 August 2015 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma Finance is a subsidiary of the Parent, the controlling Shareholder of the Company, and therefore a connected person of the Company under the Listing Rules.

During the Reporting Period, a) in respect of deposit services, the annual cap on maximum daily balance of deposits placed by members of the Group with Sinoma Finance (including accrued interests) for 2016 was RMB5,000,000,000, and the actual maximum daily balance (including accrued interests) amounted to approximately RMB4,856,496,000; b) in respect of other financial services, the annual cap on service fees payable to Sinoma Finance by members of the Group for 2016 was RMB150,000,000, and the actual service fees paid amounted to approximately RMB222,000.

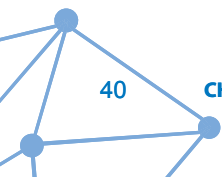
On 8 February 2017, the Company entered into the Supplemental Agreement to the Financial Services Framework Agreement with Sinoma Finance to terminate, among others, the financial services framework agreement. On the same date, the Company entered into a new financial services framework agreement with Sinoma Finance. Details of the transactions are set out in the announcement of the Company published on 8 February 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2016 have followed the pricing principles of such continuing connected transactions.

The Directors (including the Independent non-executive Directors) have confirmed with the Board that they have reviewed the non-exempted continuing connected transactions under paragraphs 3.1 to 3.4 above and confirmed that such transactions have been entered into: (a) in the ordinary and usual course of business of the Group; (b) 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 Group than those available to or from independent third parties; and (c) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The auditor of the Company has performed certain agreed-upon procedures on the above continuing connected transactions and has provided a letter to the Board to report the factual findings as follows:

- The above continuing connected transactions have obtained the approval of the Board;
- The pricing of the continuing connected transactions involving provisions of goods and services by the Group, in all material respects, are in accordance with the pricing policies of the Group;
- The above continuing connected transactions, in all material respects, have been executed in accordance with the terms of the agreements governing such transactions; and



- The continuing connected transactions as disclosed in paragraphs 3.1 to 3.4 above did not exceed the relevant annual caps as disclosed in the respective announcements of the Company.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note XI to the financial statements which falls into the category of discloseable connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions.

PRE-EMPTIVE RIGHT

There is no pre-emptive right provision under the Articles of Association and the PRC laws which would oblige the Company to offer new shares to its existing shareholders on a pro-rata basis.

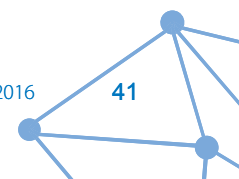
TAXATION

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to their H-share shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No.897), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa [1993] No. 045 Document issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China. Pursuant to the aforesaid Notices, the Company will withhold 10% of the dividend as income tax unless otherwise specified by the relevant tax regulations, tax agreements or the notices. Shareholders may apply for tax refund in accordance with relevant provisions including taxation agreements/arrangement after receiving the dividends.

MATERIAL LEGAL MATTERS

During the Reporting Period, Sinoma E&E, a wholly-owned subsidiary of Sinoma International (a subsidiary of the Company), was involved into the following material legal matters:

1. A civil action was filed in respect of Sinoma E&E's loan contract disputes with Bank of Beijing Co., Ltd. Shuangyushu Branch. Subsequently, Sinoma E&E repaid the debt owed to Bank of Beijing Co., Ltd. Shuangyushu Branch. As confirmed with the presiding judges, the litigation had been withdrawn by the plaintiff. For details, please refer to the announcements of the Company published on 6 January 2015 and 25 January 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.
2. A civil action was filed in respect of Sinoma E&E's loan contract disputes with Hua Xia Bank Co., Ltd. Beijing Olympic Village Branch. Subsequently, Sinoma E&E repaid the debt owed to Hua Xia Bank Co., Ltd. Beijing Olympic Village Branch. As confirmed with the presiding judges, the litigation had been withdrawn by the plaintiff. For details, please refer to the announcements of the Company published on 20 October 2015 and 25 January 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.
3. A civil action was filed in respect of Sinoma E&E's financing loan contract disputes with China Merchants Bank Co., Ltd. Beijing Xisanhuan Branch. Subsequently, Sinoma E&E repaid the debt owed to China Merchants Bank Co., Ltd. Beijing Xisanhuan Branch. As confirmed with the presiding judges, the litigation had been withdrawn by the plaintiff. For details, please refer to the announcements of the Company published on 7 April 2015 and 8 March 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.
4. Sinoma E&E filed a civil action to the court in respect of its sales contract disputes with SinoSteel Guangdong Co., Ltd., and appealed to the court in respect of the first instance judgment received. Sinoma E&E filed an action against SinoSteel Guangdong Co., Ltd. to the court again on the basis of unjust enrichment after receiving the second instance judgement of this case, and the first instance judgement thereof had been made by the court. Sinoma E&E had appealed to the court in this regard, which had been accepted by the court. For details, please refer to the announcements of the Company published on 25 June 2013, 28 February 2014, 22 September 2014, 2 July 2015, 25 April 2016 and 1 September 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.



DIRECTORS' REPORT

5. Sinoma E&E filed a civil action to the court in respect of its sales and purchase contract disputes with Shanghai Dingqi Trading Co., Ltd. ("Dingqi Trading"), Shanghai Huaji Steel Materials Co., Ltd., Shanghai Xinmao Industrial Development Co., Ltd. as well as guarantors including Lin Qinhua, Fujian Jinlin Industrial Co., Ltd., Shanghai Zhongtang Industrial Co., Ltd., Fujian Bangsheng Group Co., Ltd., Xu Qingzhuang, Li Shoulong, Wu Zhonguo and Lin Lizhen. The appeal against the first instance judgement had been filed to the court, and the second instance judgement had been made by the court. Subsequently, the People's Court of Baoshan District, Shanghai accepted the case of bankruptcy liquidation of Dingqi Trading. Currently, the court has officially accepted the enforcement application regarding the case. For details, please refer to the announcements of the Company published on 13 August 2013, 7 January 2015, 24 June 2015, 28 June 2016, 30 August 2016 and 21 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.
6. A civil action was filed in respect of Sinoma E&E's guarantee contract disputes with Suzhou Longhu Property Co., Ltd. ("Suzhou Longhu"). Due to Suzhou Longhu's failure to repay the mature debt to Sinoma E&E, the insufficiency of its assets to repay the debts in full, as well as its clear insolvency, Sinoma E&E had filed a liquidation petition against Suzhou Longhu as the creditor, which had been accepted by the court. Sinoma E&E had declared its claims in such proceeding. Sinoma E&E had entered into the agreement on debt payment with Suzhou Industrial Park Xinwen Capital Management Co., Ltd. and the administrator of Suzhou Longhu for resolving the recovery of the debt in relation to steel trading guaranteed by Suzhou Longhu. The court had issued a verdict to cease the bankruptcy procedure of Suzhou Longhu. For details, please refer to the announcements of the Company published on 22 December 2014, 15 June 2015, 2 November 2015, 6 December 2016 and 23 December 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.
7. Sinoma E&E filed a civil litigation against Shanghai Fuyuan Metal Materials Co., Ltd., Tang Heshui, Sun Biqing, Sun Shaomao and Shanghai Haolong Metal Materials Co., Ltd. due to sale and purchase contract disputes. Up to now, Sinoma E&E has received the Letter of Enforcement Verdict (2014) Hai Zhi Zi No. 5947 issued by People's Court of Haidian District, Beijing. For details, please refer to the announcements of the Company published on 8 January 2014, 2 April 2014 and 17 March 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 20 November 2014, the Saudi Arabian Branch received the assessment report from Saudi Arabian tax bureau, proclaiming that Saudi Arabian Branch was required to pay supplementary tax and the overdue fine thereof, or to appeal within the prescribed time. Saudi Arabian Branch entrusted its tax consulting agency and submitted the appealing materials to the primary board of tax appeals. During the Reporting Period, Sinoma International received the official written notice of appealing results transmitted by Saudi Arabian Branch. For details, please refer to the announcement of the Company published on 29 May 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 15 November 2016, Sinoma International received a notice from Saudi Arabian Branch that Saudi Arabian Branch, when dealing with tax affairs, was informed by the local tax bureau of the tax adjustments in respect of its income tax during the years from 2009 to 2010. On 24 November 2016, Sinoma International received a report from Saudi Arabian Branch that Saudi Arabian Branch had received the written letter and the detailed list of relevant supplementary tax served by the Saudi tax bureau. For details, please refer to the announcements of the Company published on 15 November 2016 and 24 November 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 29 December 2016, Sinoma Cement reported to the Company that Sinoma Hanjiang, a non-wholly owned subsidiary of Sinoma Cement, received the Notice of Tax Affairs from the State Administration of Taxation Office of Hantai District, Hanzhong City, the major contents of which are relating to the disqualification of Sinoma Hanjiang's entitlement to the policies regarding rebate and exemption of value-added tax for products and labor services involving comprehensive utilization of resources and request Sinoma Hanjiang to pay back the refunded value-added tax. For details, please refer to the announcement of the Company published on 29 December 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

OTHER IMPORTANT EVENTS

On 25 January 2016, the Company received a notification letter issued by the Parent, which indicated that the Parent and CNBM Group were contemplating strategic reorganization. On 27 July 2016, the Securities and Futures Commission of Hong Kong, pursuant to Note 6(a)(i) to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, had waived the obligation on the part of CNBM Group to make a mandatory general offer for the shares of the Company as a result of the strategic reorganization. On 22 August 2016, the Company was notified by the Parent that the Parent had received the Notice regarding the Reorganization of China National Building Materials Group Corporation and China National Materials Group Corporation Ltd. issued by the State-owned Assets Supervision and Administration Commission of the State Council consenting to the implementation of the reorganization by CNBM Group and the Parent. On 27 February 2017, the Company was informed by CNBM Group that CNBM Group had received the Notice of Review Results issued by the Anti-monopoly Bureau of the Ministry

of Commerce of the PRC, which decided that the acquisition of the equity interest in the Parent by CNBM Group is not prohibited and can be implemented from the date of such notice onwards. On 8 March 2017, the Company was notified by CNBM Group that the registration regarding the transfer of the Parent into CNBM Group at nil consideration with the relevant industry and commerce authorities had been completed. For details, please refer to the announcements of the Company published on 25 January 2016, 27 July 2016, 22 August 2016, 27 February 2017 and 8 March 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 23 February 2016, Sinoma Science & Technology and DaLian Rubber & Plastics Machinery Co., Ltd. ("DaLian Rubber & Plastics") entered into the equipment procurement contract, pursuant to which DaLian Rubber & Plastics agreed to sell the equipment to Sinoma Lithium Membrane and to be in charge of the overall graphic design of plant area and the design of factories for the project, with the aggregate consideration thereunder being RMB277.90 million. For details, please refer to the announcement of the Company published on 23 February 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 24 June 2016, Xinjiang Fukang Tianshan Cement Co., Ltd. ("Fukang Tianshan"), a subsidiary of Tianshan Cement, and Greatwall Guoxing Finance Leasing Company Limited ("Greatwall Guoxing") entered into the finance lease arrangements, under which, Fukang Tianshan agreed to sell the production equipment to Greatwall Guoxing at a total consideration of RMB300,000,000 and Greatwall Guoxing had agreed to leaseback the production equipment to Fukang Tianshan for a period of 36 months. For details, please refer to the announcement of the Company published on 24 June 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 18 November 2016, Tianshan Cement and Kuche Tianshan Cement Co., Ltd. ("Kuche Tianshan") entered into the finance lease arrangements with Taiping & Sinopec Financial Leasing Co., Ltd. ("Taiping & Sinopec"), under which, Tianshan Cement and Kuche Tianshan agreed to sell the equipment, structures and ancillary facilities to Taiping & Sinopec at an aggregate consideration of RMB645,000,000, and Taiping & Sinopec had agreed to leaseback the equipment, structures and ancillary facilities to Tianshan Cement and Kuche Tianshan for a period of 60 months. For details, please refer to the announcement of the Company published on 18 November 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 18 November 2016, Tianshan Cement and Aksu Tianshan Duolang Cement Co., Ltd. ("Aksu Tianshan") entered into the finance lease arrangements with Taiping & Sinopec, under which, Tianshan Cement and Aksu Tianshan agreed to sell the equipment, structures and ancillary facilities to Taiping & Sinopec at an aggregate consideration of RMB355,000,000, and Taiping & Sinopec had agreed to leaseback the equipment, structures and ancillary facilities to Tianshan Cement and Aksu Tianshan for a period of 60 months. For details, please refer to the announcement of the Company published on 18 November 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 12 December 2016, the Company received its new business licence. As approved by the Beijing Administration for Industry and Commerce, the Company's registered office address and place of business had been changed to 8th Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, with effect from 6 December 2016. Corresponding amendments were made to the Company's contact information. For details, please refer to the announcement of the Company published on 12 December 2016 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

EVENTS AFTER THE REPORTING PERIOD

On 18 January 2017, the Company published an announcement in accordance with Rule 14A.60 of the Listing Rules. As mentioned in such announcement, the Board is aware that upon the completion of the reorganization of the Parent and CNBM Group (the "Reorganization"), the Parent will become a wholly-owned subsidiary of CNBM Group. As a result, the Company will become a listed subsidiary of CNBM Group, and CNBM Group will become the indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Before CNBM Group becomes a connected person of the Company, the subsidiaries of the Company and the subsidiaries of CNBM Group have entered into certain contracts, which are for fixed period with fixed terms, in relation to continuing transactions. Following the completion of the Reorganization, such contracts and the transactions contemplated thereunder will become continuing connected transactions of the Company under the Listing Rules. For details, please refer to the announcement of the Company published on 18 January 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 24 January 2017, Sinoma Lithium Membrane, a subsidiary of the Company, entered into an equipment procurement contract with DaLian Rubber & Plastics Machinery Co., Ltd., pursuant to which DaLian Rubber & Plastics Machinery Co., Ltd. agreed to sell 2 wet process lithium battery membrane production lines and the auxiliary facilities to Sinoma Lithium Membrane with the aggregate consideration thereunder being RMB303 million. For details, please refer to the announcement of the Company published on 24 January 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

DIRECTORS' REPORT

On 8 February 2017, the Company entered into (i) the Supplemental Agreement to the Financial Services Framework Agreement with Sinoma Finance to terminate the financial services framework agreement entered into between the Company and Sinoma Finance on 21 August 2015, and (ii) the Supplemental Agreement to the Mutual Supply of Services Framework Agreement, the Mutual Supply of Products Framework Agreement and the Property Leasing Framework Agreement with the Parent to terminate the mutual supply of services framework agreement, the mutual supply of products framework agreement and the property leasing framework agreement entered into between the Company and the Parent on 21 August 2015. For details, please refer to the announcement of the Company published on 8 February 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 8 February 2017, the Company entered into the financial services framework agreement with Sinoma Finance, pursuant to which Sinoma Finance agreed to provide the deposit services, loan services and other financial services to the Group. On the same date, the Company and CNBM Group entered into (i) the property leasing framework agreement, pursuant to which, CNBM Group and its associates (excluding the Group) agreed to lease certain parcels of lands and buildings in the PRC to the Group for the Group's operations; (ii) the mutual supply of services framework agreement in relation to the mutual supply of certain services between the Group and CNBM Group and its associates (excluding the Group); (iii) the mutual supply of products framework agreement in relation to the mutual supply of certain products between the Group and CNBM Group and its associates (excluding the Group). For details, please refer to the announcement published on 8 February 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 28 February 2017, Sinoma International received the Decision Letter on Administrative Regulatory Measures ([2017] No. 85) issued by the Jiangsu Regulatory Bureau of China Securities Regulatory Commission ("Jiangsu Securities Regulatory Bureau") in relation to Jiangsu Securities Regulatory Bureau's regulatory measures in respect of the Debt Compensation Agreement entered into between Sinoma E&E with Chengdu Zhonggang Real Estate Ltd on 20 August 2015. For details, please refer to the announcement of the Company published on 28 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

AUDITOR AND PREPARATION OF FINANCIAL STATEMENTS USING MAINLAND ACCOUNTING STANDARDS

According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Hong Kong Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements using Mainland accounting standards, and Mainland audit firms approved by the MOF and the CSRC are allowed to serve these issuers using Mainland auditing standards. Accordingly, the Board resolved to change the Company's accounting standard into China Accounting Standards for Business Enterprises on 29 March 2016.

In order to simplify working process, improve working efficiency, and reduce disclosure costs and audit expenses, it was approved at the annual general meeting of the Company held on 24 May 2016 that the Company ceased to re-appoint SHINEWING (HK) CPA Limited as its international auditor for the year ended 31 December 2016, whilst ShineWing Certified Public Accountants LLP was engaged as its auditor for the year ended 31 December 2016 for auditing the Company's financial statements in accordance with China Accounting Standards for Business Enterprises and undertaking the role of international auditor in compliance with the Listing Rules, including but not limited to the preliminary announcement on annual results and annual review of continuing connected transactions, and authorizing the Audit Committee to determine their remuneration. ShineWing Certified Public Accountants LLP is a firm of practicing accountants which has been approved by the MOF and the CSRC and eligible to provide auditing services by using Mainland auditing standards to the Mainland incorporated issuers.

SHINEWING (HK) CPA Limited had confirmed that there were no matters regarding the proposed cease to re-appoint that need to be brought to the attention of the shareholders. The Board is not aware of any matter regarding the proposed cease to re-appoint that needs to be brought to the attention of the shareholders. The Board and the Audit Committee confirmed that there were no disagreement between the Company and SHINEWING (HK) CPA Limited regarding the proposed cease to re-appoint.

ShineWing Certified Public Accountants LLP has audited the accompanying financial statements that were prepared in accordance with China Accounting Standards for Business Enterprises. ShineWing Certified Public Accountants LLP has been appointed by the Company since the annual report of 2008.

Donation

The Group made donations for charitable or other similar purposes of a total amount of approximately RMB5.26 million during the Reporting Period.

SUPERVISORY COMMITTEE'S REPORT

During the Reporting Period, members of the Supervisory Committee actively performed their duties in accordance with the relevant laws and regulations and the requirements of the Articles of Association and effectively supervised the compliance of the convening and decision-making processes of the Board meetings and the implementation procedures with the relevant laws and regulations and the requirements of the Articles of Association, so as to protect the interests of the shareholders and the long-term interests of the Company.

During the Reporting Period, the Supervisory Committee had convened six meetings. At the twelfth meeting of the third session of the Supervisory Committee held on 29 March 2016, the Company's 2015 annual report, the audited financial report, the annual profit distribution proposal, the Supervisory Committee's report, change of the Company's supervisors and the proposal in relation to the preparation of financial reports of H Shares using China Accounting Standards were considered and approved. At the thirteenth meeting of the third session of the Supervisory Committee held on 28 April 2016, the 2016 first quarterly financial statements of the Company was considered and approved. At the fourteenth meeting of the third session of the Supervisory Committee held on 3 June 2016, the proposal in relation to the amendment of the Rules of Procedures of the Supervisory Committee of China National Materials Company Limited and new session of supervisors of the Company was considered and approved. At the first meeting of the fourth session of the Supervisory Committee held on 29 July 2016, the election of the chairman of the fourth session of the Supervisory Committee of the Company was considered and approved. At the second meeting of the fourth session of the Supervisory Committee held on 26 August 2016, the 2016 interim report of the Company was considered and approved. At the third meeting of the fourth session of the Supervisory Committee held on 28 October 2016, the 2016 third quarterly financial statements of the Company was considered and approved. During the Reporting Period, members of the Supervisory Committee attended all the general meetings of the Company and attended the Board meetings in person as non-voting participants, and also reviewed the proposals which have been submitted to the Board for consideration. The Supervisors supervised the Company's major decision-making processes and the performance of duties by the Directors and the senior management by attending such meetings as non-voting participants.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company are committed and diligent in performing their duties, have duly implemented the resolutions of the general meetings, adhered to the lawful operations and cautious decision-making, and contributed greatly to the production and operation results of the Company.

During the Reporting Period, the Supervisory Committee regularly reviewed the relevant financial information of the Group and the auditor's report of the Group issued by the auditor, and confirmed that the accounts and audit work of the Group were in compliance with the requirements of Accounting Law of the PRC, the accounting system issued by the Ministry of Finance of the PRC and the Hong Kong Financial Reporting Standards, and the Supervisory Committee was not aware of any non-compliance issues.

The Supervisory Committee has duly reviewed the financial report for 2016 audited by the auditor with unqualified opinion, and considers that the report accurately, truly and fairly presented the financial position and the results of operations of the Company on a consistent basis.

The Supervisory Committee confirms that the connected transactions between the Company and the Parent conducted during the Reporting Period were fair and reasonable and in the interests of the other shareholders and the Company as a whole. The Directors, president and other senior management of the Company have strictly complied with the principle of diligence, exercised powers delegated by the shareholders diligently and performed all responsibilities, and no abuse of authority that would jeopardize the interests of shareholders and the legal rights of employees of the Company has been identified.

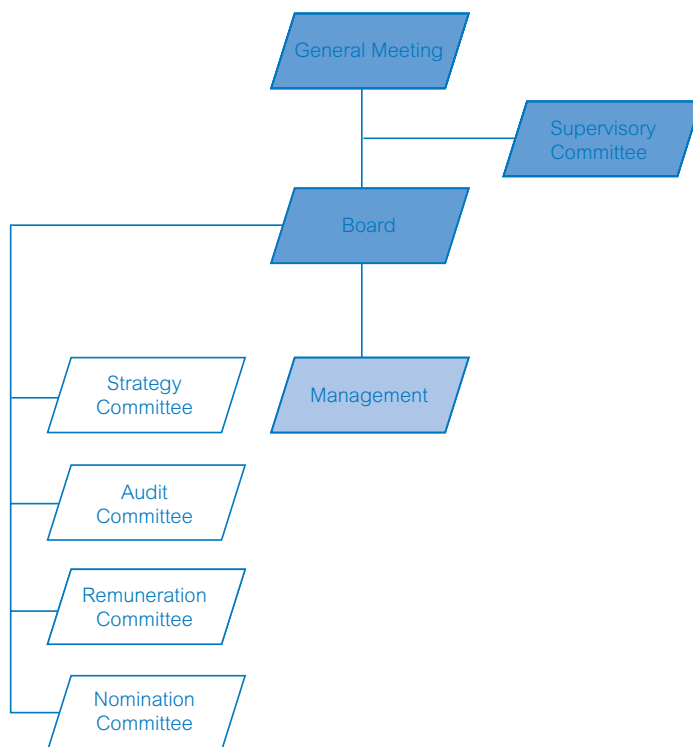
The Supervisory Committee is fully confident about the development prospects of the Company. In 2017, the Supervisory Committee will continue to perform all its duties to protect the interests of the shareholders in strict accordance with the Articles of Association and relevant requirements.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

During the Reporting Period, the Company established a standard and sophisticated corporate governance structure in strict compliance with laws and regulations such as the Company Law of the PRC and the Securities Law of the PRC and the requirements of domestic and foreign regulatory bodies. The Company is committed to maintaining its corporate governance at a high standard to enhance the shareholders' value in the long run.

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE DOCUMENTS

Currently, the documents governing the corporate governance practices of the Company include but not limited to the followings:

1. Articles of Association
2. Rules of Procedures for General Meetings
3. Rules of Procedures for the Board
4. Rules of Procedures for the Supervisory Committee
5. Rules of Procedures for the Strategy Committee
6. Rules of Procedures for the Audit Committee
7. Rules of Procedures for the Remuneration Committee
8. Rules of Procedures for the Nomination Committee
9. Working System for Independent Directors

10. Administrative System for Information Disclosure
11. Administrative System for Connected Transactions
12. Administrative System for Investor Relations
13. Rules of Internal Auditing
14. Internal Control Audit Method
15. Financial Management System

During the Reporting Period, the Board reviewed a series of corporate governance documents, including the Articles of Association, the Rules of Procedures for General Meetings, the Rules of Procedures for the Board, the Rules of Procedures for the Audit Committee, the Rules of Procedures for the Remuneration Committee and the Rules of Procedures for the Nomination Committee, and monitored the implementation of these documents from time to time; reviewed and keenly organized professional trainings and continuous professional development for the Directors and senior management; reviewed and monitored the Company on whether there was any violation of laws and regulatory requirements; approved the corporate governance report of the Company for the year 2015, as well as the disclosures made on the website of Hong Kong Stock Exchange and the Company's website; formulated, reviewed and supervised shareholders' communication policies to ensure their effectiveness.

The Board has reviewed the corporate governance documents adopted by the Company as stated above and is of the view that the requirements in the documents have complied with all the code provisions as set out in the "Corporate Governance Code" and "Corporate Governance Report" contained in Appendix 14 of the Listing Rules and are consistent with most of the recommended best practices set out therein.

The code on corporate governance adopted by the Company is more stringent in the following aspects than the code provisions as set out in the "Corporate Governance Code" and "Corporate Governance Report":

1. In addition to the Audit Committee, the Remuneration Committee and the Nomination Committee, the Company has also established the Strategy Committee.
2. The Company's Rules of Procedures for the Board requires the independent non-executive Directors to review, at least once a year, the information provided by the Company's controlling shareholder in relation to the compliance with and implementation of the non-competition agreement.

"CORPORATE GOVERNANCE CODE" AND "CORPORATE GOVERNANCE REPORT"

For the year ended 31 December 2016, the Company had fully complied with the code provisions as set out in the "Corporate Governance Code" and "Corporate Governance Report".

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, and has required that securities transactions by Directors and Supervisors should be conducted in compliance with the Model Code, which is also applicable to the senior management of the Company. After the specific enquiries made by the Company, all Directors and Supervisors have confirmed that they had fully complied with the Model Code throughout the year of 2016.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The composition of the Board and relevant information are set out below:

Name	Position	Gender	Age	Term
LIU Zhijiang	Executive Director and Chairman of the Board	Male	59	29 July 2016 – 28 July 2019
PENG Jianxin	Executive Director and President	Male	57	29 July 2016 – 28 July 2019
YU Shiliang	Non-executive Director	Male	62	30 July 2013 – 29 July 2016
LI Xinhua	Vice-chairman of the Board, Non-executive Director	Male	52	29 July 2016 – 28 July 2019
LI Jianlun	Non-executive Director	Male	59	29 July 2016 – 28 July 2019
YU Guobo	Non-executive Director	Male	60	30 July 2013 – 29 July 2016
TANG Baoqi	Non-executive Director	Male	57	30 July 2013 – 29 July 2016
SHEN Yungang	Non-executive Director	Male	50	29 July 2016 – 28 July 2019
WANG Fengting	Non-executive Director	Male	41	29 July 2016 – 28 July 2019
LEUNG Chong Shun	Independent Non-executive Director	Male	51	29 July 2016 – 28 July 2019
LU Zhengfei	Independent Non-executive Director	Male	53	29 July 2016 – 28 July 2019
WANG Zhulin	Independent Non-executive Director	Male	51	29 July 2016 – 28 July 2019
WANG Shimin	Independent Non-executive Director	Male	68	30 July 2013 – 29 July 2016
ZHOU Zude	Independent Non-executive Director	Male	71	30 July 2013 – 29 July 2016

The Board is the standing decision-making body of the Company and leads and supervises the Company in a responsible and efficient manner. All the Directors are obliged to act in the best interest of the Company. Members of the Board understand that they jointly and severally take responsibility to all the shareholders for matters in relation to the management, supervision and operation of the Company.

The Board mainly decides on the following matters:

- to formulate the Company's strategy and policy;
- to establish the management's target;
- to supervise the performance of the management; and
- to ensure the Company's implementation of a prudent and effective monitoring structure to assess and manage risks.

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial status of the Company and the results and cash flow during the relevant period. When preparing the financial statements for the year ended 31 December 2016, the Board selected and applied appropriate accounting policies and made prudent, fair and reasonable judgment and estimates to prepare the financial statements on the basis of going concern. The statement of responsibilities of the auditors is set out in the auditor's report of this annual report. The Board is responsible for properly maintaining and reasonably and accurately disclosing at any time the accounting records of the financial information of the Company. The Board convenes meetings at least four times per year and whenever important decisions have to be made.

The Company's management comprises one president, several vice presidents and a chief financial officer. The president is responsible to the Board and shall mainly perform the following functions:

- (1) to be in charge of the production, operation and management of the Company and to report to the Board;
- (2) to organize the implementation of the resolutions of the Board;
- (3) to organize the implementation of the annual business plan and investment program of the Company;
- (4) to prepare plans for the Company's proposed annual financial budgets and final accounts, and to make recommendation to the Board;
- (5) to prepare plans for the reform, division, restructuring and dissolution of Company's wholly-owned subsidiaries and non-wholly owned subsidiaries;

- (6) to prepare plans for the establishment of the internal management structure of the Company;
- (7) to prepare plans for the establishment of the branch bodies of the Company;
- (8) to prepare the basic management systems of the Company;
- (9) to formulate specific rules and regulations of the Company;
- (10) to propose the appointment or dismissal of the vice president(s) and the chief financial officer of the Company to the Board;
- (11) to appoint or dismiss principal management personnel other than those required to be appointed or dismissed by the Board;
- (12) to prepare plans for the salaries, welfares and rewards and penalty for the staff of the Company, and to make decisions on the appointment and dismissal of the Company's staff;
- (13) to propose to convene an extraordinary Board meeting in the event of emergency;
- (14) to decide on the establishment of branch bodies and representative offices of the Company's wholly-owned subsidiaries and non-wholly owned subsidiaries;
- (15) to decide on matters relating to the Company's investment, financing, contracts and transactions within the scope authorized by the Board; and
- (16) other functions and powers conferred by the Articles of Association and the Board.

During the Reporting Period, Mr. LIU Zhijiang served as chairman of the Board, and Mr. PENG Jianxin served as the president. Chairman of the Board and president are two different positions which are clearly delineated. The chairman of the Board shall not concurrently serve as the president of the Company. The responsibilities between the chairman of the Board and the president shall be clearly separated and defined in written form. The chairman of the Board is responsible for managing the operation of the Board while the president is responsible for the business operation of the Company. The Articles of Association set out in detail the respective responsibilities of the chairman of the Board and the president. Senior management of the Company, other than the Directors and the Supervisors, is responsible for the daily business operation of the Company. Their positions are set out in the section headed "Biography of Directors, Supervisors and Senior Management" in this annual report.

All Directors are required to declare any direct or indirect interest involved in any matter or transaction to be considered at Board meetings, and interested Directors shall abstain from the meeting when appropriate. Directors are required by the Company to provide details in relation to any connected transactions that they or their respective associates entered into with the Company or its subsidiaries for each financial period and make confirmations regarding the same.

CORPORATE GOVERNANCE REPORT

A total of 13 Board meetings were convened during 2016. The individual members' attendance rate of Board meetings is as follows:

Directors	Number of Attendance	Number of Attendance by proxy	Attendance Rate
LIU Zhijiang	13	0	100%
PENG Jianxin	13	0	100%
YU Shiliang ¹	6	0	100%
LI Xinhua	13	0	100%
LI Jianlun	13	0	100%
YU Guobo ¹	6	0	100%
TANG Baoqi ¹	6	0	100%
LEUNG Chong Shun	13	0	100%
LU Zhengfei	13	0	100%
WANG Shimin ¹	6	0	100%
ZHOU Zude ¹	6	0	100%
SHEN Yungang ²	7	0	100%
WANG Fengting ²	7	0	100%
WANG Zhulin ²	7	0	100%

Notes:

1. Mr. YU Shiliang, Mr. YU Guobo, Mr. TANG Baoqi, Mr. WANG Shimin and Mr. ZHOU Zude ceased to be the Directors of the Company since 29 July 2016. Their attendance rate is calculated based on the number of meetings of the Board (a total of 6 meetings) held during the period from 1 January 2016 to 29 July 2016.
2. Mr. SHEN Yungang, Mr. WANG Fengting and Mr. WANG Zhulin served as the Directors of the Company since 29 July 2016. Their attendance rate is calculated based on the number of meetings of the Board (a total of 7 meetings) held during the period from 29 July 2016 to 31 December 2016.

Since the incorporation of the Company on 31 July 2007, the Board has been complying with Rule 3.10(1) of the Listing Rules, which requires a minimum of three independent non-executive Directors, Rule 3.10A, which requires independent non-executive Directors representing at least one-third of the Board, and Rule 3.10(2), which requires that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

A total of 2 general meetings were convened during 2016. The attendance rate of the Directors is as follows:

Directors	Number of Attendance	Attendance Rate
LIU Zhijiang	2	100%
PENG Jianxin	2	100%
YU Shiliang	2	100%
LI Xinhua	2	100%
LI Jianlun	2	100%
YU Guobo	2	100%
TANG Baoqi	2	100%
LEUNG Chong Shun	2	100%
LU Zhengfei	2	100%
WANG Shimin	2	100%
ZHOU Zude	2	100%
SHEN Yungang ¹	1	100%
WANG Fengting ¹	1	100%
WANG Zhulin ¹	1	100%

Notes:

1. Mr. SHEN Yungang, Mr. WANG Fengting and Mr. WANG Zhulin served as the Directors of the Company since 29 July 2016. Their attendance rate is calculated based on the number of general meetings of the Board (a total of 1 meeting) held during the period from 29 July 2016 to 31 December 2016.

In accordance with the requirements of the Listing Rules, the Company made the following confirmation as to the independence of the independent non-executive Directors: the Company has accepted the confirmation letters from each of the independent non-executive Directors and confirms their compliance with the independence requirements as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive Directors are independent parties.

Each of the independent non-executive Directors shall have a term of office of three years and is eligible for re-election and re-appointment. Independent non-executive Directors who intend to continue to be appointed after holding office for nine consecutive years are subject to the verification of independence. Independent non-executive Directors shall not be removed without reasonable ground prior to the expiry of their terms of office. The Company shall make special disclosure for any early removal of any independent non-executive Director.

Other than their duties in the Company, the Directors, the Supervisors and senior management do not have any relationship among themselves in financial, business, family or other material aspects.

During the Reporting Period, all Directors proactively participated in continuous professional trainings, including the professional training provided by the Company, and developed and updated their knowledge and skills in a move to ensure that their contribution to the Board remained completely informed and relevant.

Other than their service contracts, the Directors and the Supervisors do not have any direct or indirect personal beneficial interest in the contracts of significance entered into by the Company or any of its subsidiaries in 2016.

The Company has established the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee under the Board.

STRATEGY COMMITTEE

The composition of the Strategy Committee during the Reporting Period and up to the date of this report is set out below:

	Chairman	Member
1 January 2016 – 29 July 2016	LIU Zhijiang	YU Shiliang, LI Xinhua, PENG Jianxin, LI Jianlun, YU Guobo, ZHOU Zude
From 29 July 2016	LIU Zhijiang	LI Xinhua, PENG Jianxin

The Strategy Committee considers, evaluates, reviews and recommends to the Board the proposed major investments, acquisitions and disposals and conducts post-investment evaluation of investment projects, and reviews and considers the overall strategic direction of the Company and business developments of the Company.

During the Reporting Period, the Strategy Committee convened one meeting by way of communication. At the third meeting of the third session of the Strategy Committee held on 28 March 2016, the “Work Report of the President of China National Materials Company Limited for 2015” was approved and the financial budget (draft) and investment budget (draft) of the Company for 2016 were considered and then submitted to the twenty-third meeting of the third session of the Board for approval. All the members of the Strategy Committee attended the above meeting.

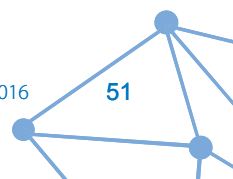
AUDIT COMMITTEE

The composition of the Audit Committee during the Reporting Period and up to the date of this report is set out below:

	Chairman	Member
1 January 2016 – 29 July 2016	LU Zhengfei	WANG Shimin, YU Shiliang
From 29 July 2016	LU Zhengfei	LI Xinhua, WANG Zhulin

The primary duty of the Audit Committee is to examine and supervise the financial reporting procedures, risk management and internal control system of the Company and provide advice and comments to the Board.

From the date of the Company’s listing on the Hong Kong Stock Exchange and up to 31 December 2016, the Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.



CORPORATE GOVERNANCE REPORT

Pursuant to the requirements of the Rules of Procedures of the Audit Committee, a total of five meetings were convened during the Reporting Period. At the thirteenth meeting of the third session of the Audit Committee held on 19 January 2016, the resolution regarding the auditing plan on the 2015 annual report issued by SHINEWING (HK) CPA Limited was considered, and the committee listened to the report made by SHINEWING (HK) CPA Limited on the findings of the preliminary audit and examined the improvement of the relevant internal control on risks with reference to the management proposal of 2015. At the fourteenth meeting of the third session of the Audit Committee held on 22 March 2016, the resolution regarding the submission of the 2015 audited financial report to the Board, the resolution regarding the preparation of the financial statements of H Shares in accordance with China Accounting Standards and the resolution regarding the appointment of ShineWing Certified Public Accountant LLP as the auditor for 2016 were considered, and the committee discussed with the management on measures to be taken to improve the internal control on risks with reference to the management proposal. At the fifteenth meeting of the third session of the Audit Committee held on 26 April 2016, the resolution regarding the submission of the 2016 Q1 financial statements to the Board was considered. At the first meeting of the fourth session of the Audit Committee held on 24 August 2016, the resolution regarding the submission of the 2016 interim financial report to the Board was considered. At the second meeting of the fourth session of the Audit Committee held on 25 October 2016, the resolution regarding the submission of the 2016 Q3 financial report to the Board was considered. All the members of the Audit Committee attended the above five meetings.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee during the Reporting Period and up to the date of this report is set out below:

	Chairman	Member
1 January 2016 – 29 July 2016	WANG Shimin	LEUNG Chong Shun, LU Zhengfei
From 29 July 2016	WANG Zhulin	LEUNG Chong Shun, LU Zhengfei

The primary duties of the Remuneration Committee include the recommendation of the remuneration package of the executive Directors and senior management to the Board; the determination and review of the specific remuneration package and performance of the Directors and senior management of the Company according to the remuneration and performance management policy and structure for Directors and senior management established by the Board.

During the Reporting Period, the Remuneration Committee held four meetings. At the sixth meeting of the third session of the Remuneration Committee held on 17 March 2016, the resolution regarding the Provisional Administrative Rules on the Remuneration of the Senior Management of the Company, the annual performance evaluation methods for the senior management and the remuneration proposal for the senior management for the year 2016 were heard and considered. At the first meeting of the fourth session of the Remuneration Committee held on 29 July 2016, the resolution regarding the remuneration proposal for the the Company's Directors was considered and approved. At the second meeting of the fourth session of the Remuneration Committee held on 2 September 2016, the resolution regarding the payment proposal on 2015 annual salary of the Company's senior management and the appraisal of the operating results for 2013 to 2015 was heard and considered. At the third meeting of the fourth session of the Remuneration Committee held on 19 October 2016, the resolution regarding the amendment of the appraisal of the performance for the year of the Company's senior management and the Provisional Administrative Rules on the Remuneration of the Senior Management of the Company was considered and approved. All the members of the Remuneration Committee attended the above four meetings.

NOMINATION COMMITTEE

The composition of the Nomination Committee during the Reporting Period and up to the date of this report is set out below:

	Chairman	Member
1 January 2016 – 29 July 2016	LIU Zhijiang	WANG Shimin, ZHOU Zude
From 29 July 2016	LIU Zhijiang	LEUNG Chong Shun, LU Zhengfei

The Nomination Committee is mainly responsible for reviewing the structure, numbers and composition of the Board and making recommendations to the Board in relation to any changes; formulating the standards, procedures and methods for selecting candidates for Directors and senior management of the Company and its invested enterprises and making recommendations to the Board.

During the Reporting Period, the Nomination Committee held two meetings. At the third meeting of the third session of the Nomination Committee held on 10 May 2016, the resolution regarding the candidates for directorship of the fourth session of the Board of the Company was considered and approved. At the first meeting of fourth session of the Nomination Committee held on 23 September 2016, the resolution regarding to the nomination of FU Jinguang as the vice president of China National Materials Company Limited was considered and approved.

The Company appoints new Directors according to a transparent procedure which has been duly formulated upon prudent consideration. The nomination of the candidates for directorship is usually submitted as a resolution by the Board to the general meeting of the Company. The shareholders of the Company and the Supervisory Committee may nominate candidates for directorship according to the Articles of Association.

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy:

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, and candidates will be adequately considered against objective criteria, together with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in our business development and strategic planning of the Company, and also the merits and contribution to be made by the selected candidates to the Board. The composition of the Board (including gender, age and length of service) will be disclosed in the "Corporate Governance Report" annually.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as follows:

- to develop and review the corporate governance policies and practices of the Company and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with the legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the code and the relevant disclosure in the corporate governance report;
- to develop policies on communication with the shareholders and review such policies on a regular basis to ensure its effectiveness.

During the Reporting Period, the Board held meetings to review the Company's compliance with the code and the relevant disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

ShineWing Certified Public Accountants LLP was appointed as the auditor of the Company for the year 2016, and its remuneration was determined by the Audit Committee. The auditor's remuneration for its provision of audit services for the year 2016 amounted to RMB9.00 million. The auditor's remuneration for their provision of review services on the interim report, profit forecast in accordance with the Listing Rules, non-annual audit services and internal control audit services to the subsidiaries of the Company for the year 2016 as required by the domestic regulatory rules amounted to RMB4.32 million. Apart from the aforesaid fees, the Group did not incur any other non-audit fees.

COMPANY SECRETARIES

Mr. GU Chao and Mr. YU Leung Fai, the joint company secretaries of the Company, have confirmed that both of them had attended relevant professional training for no less than 15 hours during the Reporting Period.

SHAREHOLDERS' RIGHT

As the owners of the Company, shareholders of the Company are entitled to the various rights stipulated by laws, administrative rules and regulations and the Articles of Association. The shareholders' general meeting is the supreme authority of the Company, through which shareholders exercise their power. During the Reporting Period, the Company held two general meetings.

The Board and senior management of the Company understand that they are representing the overall interest of all the shareholders of the Company and their first priority is to maintain the stable and continuous growth of shareholders' value and investment return in the long run and enhance the competitiveness of the business.

CORPORATE GOVERNANCE REPORT

According to the Articles of Association, when shareholder(s) alone or in aggregate holding 10% or more of the Company's outstanding voting shares request in writing to convene an extraordinary general meeting (the number of shares held is determined on the day on which the shareholder lodges his/her demand in writing), the extraordinary general meeting shall be convened within two months. The relevant documents shall state clearly the purpose of such meeting and shall be served to all the shareholders. Shareholders may suggest to the Board with the procedure for enquiry and propose such procedure in a general meeting. The contact information of the Company is set out in the section headed "Corporate Information".

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the risk management and internal control systems of the Group as well as reviewing on the effectiveness of such systems. The Board is fully responsible for the assessment and determination of the nature and levels of risk which the Group is willing to undertake for achieving the strategic objectives, and is responsible for maintaining sound and effective risk management and internal control systems (including reviewing on such procedures) so as to ensure the safety of the investors' investments and the Group's assets. In this regards, the management established a set of internal control and risk management systems for providing reasonable and not absolute assurance against material misstatement or loss as well as managing rather than eliminating the risk of failure to achieve business objectives.

In order to satisfy the relevant regulatory requirements of the places where the Company is listed and strengthen the risk management and internal control management of the Company, the Company has established a range of risk management and internal control management systems, including the following documents such as "Administrative System for Information Disclosure", "Administrative System for Connected Transactions", "Administrative System for Investor Relations", "Working System for Independent Directors", "Financial Management System", "Rules of Internal Auditing" and "Internal Control Audit Method", thus establishing the internal control systems which cover the risk management and internal control systems of the Group.

During the Reporting Period, the Company completed the establishment of information system for internal control assessment. The Company and its subsidiaries established an internal control matrix with the introduction of information system respectively in accordance with the "Evaluation Standards for Internal Control of the Ministry of Finance", and commenced the risk management and internal control assessment involving significant risk procedures and reviewed the effectiveness of the risk management and internal control systems. The procedures of the Group's risk management and internal control assessment are as follows: through risk assessment, the major risk procedures and the departments and personnel involved in the internal control assessment are determined; through information system, the plan for internal control assessment is designated; the internal control personnel conduct the internal control compliance test and substantive test with reference to the internal control matrix of the Company or the departments, and prepare the internal control assessment papers so as to identify the internal control deficiencies. No significant internal control deficiencies were identified during the Reporting Period. For the internal control deficiencies identified, the Group would establish rectification plans and traced the rectification results through information system. For the significant internal control deficiencies, the Group would form a leading group for the comprehensive risk management and internal control management. Such group would conduct inspection and assessment on the internal control of subordinate units and each department of the Company so as to ensure the effectiveness of the internal control systems and eliminate significant internal control deficiencies.

To achieve the mission objectives, the management of the Company analyzed and assessed the major and significant risks through the establishment of a sound risk event database, and proposed precautionary measures for risks and implemented such measures so as to continuously commence the comprehensive risk management and internal control so as to procure the achievement of business objectives. The procedures for the Group to identify, assess and manage the major risks are as follows: the Company would collect initial information of risk management while amending the system and improving the procedures so as to complete the risk event database; the Company would conduct risk identification, risk analysis and risk assessment through discussion, establish and implement precautionary measures for risks, prepare the annual risk report and deliver such report to relevant organizations, and arrange relevant works for the next year. The Company arranged subordinate units to commence the comprehensive risk and internal control and strengthened the reporting system. The subordinate units would deliver the audited annual report for comprehensive risk management to the Company.

The Company has established the procedure of handling and dissemination of inside information. The handling of inside information strictly complies with the duties and responsibilities as stipulated in the "Administrative System for Information Disclosure": the office to the Board collects the financial and business information reported by the departments and the subsidiaries of the Company, which shall be in turn reported to the secretary to the Board; the secretary to the Board, in accordance with the instructions of the chairman of the Board, shall instruct the office to the Board to make preliminary judgment with the assistance of the intermediary agencies, after which the office to the Board shall communicate in this regard with the Directors, who shall make judgment thereon and disseminate the inside information by publishing announcement if necessary. The office to the Board is responsible for keeping complete record of inside information related works including reporting, delivery, composition and disclosure. The Board is responsible for the overall monitoring and periodic review on the handling and dissemination of inside information.

REVIEW FOR THE YEAR

During the Reporting Period, the Board has conducted 2 reviews on the effectiveness of the risk management and internal control systems of the Company and its subsidiaries according to code provision C.2.1 of the “Corporate Governance Code” and “Corporate Governance Report”. The review covered financial control, operation control and compliance control, covering the Reporting Period.

The Board had reviewed the works of supervisory and inspection and audit department of the Company, the assets finance department of the Company and the external auditor through the Audit Committee. The management had commenced the self-assessment of the comprehensive risk management and internal control through supervisory and inspection and audit department of the office to the Board and would prepare reports of risk management and self-assessment of internal control on a regular basis. The Board has analyzed in detail the procedure, method and assessment results of the risk management and internal control review by reference to the relevant requirements of the Listing Rules, and no significant adverse issues has been identified. After review, the Board are of the view that during the year ended 31 December 2016: the Group had sound internal audit functions, and the risk management and internal control systems of the Group were effective and sufficient, can safeguard the safety and integrity of the assets and enhance the operating efficiency and effectiveness of the Company; the Company maintained appropriate information records and procedures, guaranteed the timeliness, relevance and reliability of the Company’s financial statements and relevant information which ensured that relevant information has been sufficiently disclosed in these financial statements and have complied with applicable laws and regulations.

During the Reporting Period, the Company continued to carry out self-assessment on internal control and risk assessment, supplemented the risk database and perfected the relevant systems; adjusted internal control assessment standards, supplemented with quantitative assessment criteria of “deficiency search” and “completion rate of deficiency rectification”, and continuously included internal control management and risk assessment of the business units into annual operation performance for appraisal, so as to consolidate an assessment-oriented internal control working system and further enhance the risk prevention and control capabilities of the Company.

INTERNAL AUDIT UNIT

The Company has set up an independent audit department which is responsible for the internal auditing.

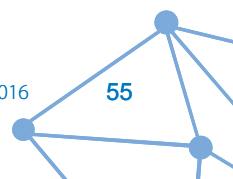
During the Reporting Period, oriented by risk management, the Company carried out comprehensive auditing and highlighted the key points to provide valuable audit results which the Company actively made use of to facilitate the improvement of the internal control and risk management system of the Group.

Firstly, with the establishment of information technology audit, the establishment of vertical management system for audit operation has completed in general. The Company established three information management platforms, namely audit management, audit work and internal control assessment; achieved the unification of planning, implementation and results in respect of internal audit and self-assessment of internal control. The units in charge have unified the designation of the audit plan and the standards for quality of works as well as the performance appraisal and the accounts information audit, thus the capabilities of audit, quality control and outcome sharing of the Company and its subsidiaries were enhanced continuously.

Secondly, insisting on the approach of problem-oriented and risk-oriented and focusing on process audit and compliance audit, the headquarters of the Company conducted the audits, placing priority on a number of aspects such as the completion of responsibility targets, the “Three Important and One Crucial” decisions, the treatment of persons in charge, business expense and system execution, so as to highlight any deficiency in internal control and risks involved in the operation.

Thirdly, the subsidiaries kept an eye closely on factors deterring the growth benefits, potential factors enhancing effectiveness and focuses and difficulties of the actual business management, and commenced various natures of audits including sales, procurement, tender and bidding, loss-making enterprises, material contracts, maintenance costs, engineering projects, completion settlement of construction projects as well as overseas projects.

Fourthly, leveraging on the construction of information system for internal control, the company improved the internal control matrix with the introduction of information system for internal review, unified and regulated the basic procedures for self-assessment of internal control so as to standardize the full business workflow including the system for the self-assessment plan of internal control, sample preparation, working papers testing, internal control deficiencies, internal control reporting and rectification of internal control deficiencies. By self-assessment of internal control, the deficiencies of internal control involved in the project management, capital management, procurement and sales management and other processes could be identified in order to rectify the deficiencies and continuously improve the internal control system.



CORPORATE GOVERNANCE REPORT

Fifthly, the Company made good use of the audit findings to realize the value of auditing. The Company put more efforts on the subsequent audit and compared the examination results of subsequent audit with each onsite audit, so as to examine the rectification of the issues identified from last audit before conducting an audit. By follow-up audit, the Company could inspect and examine the rectification outcome of each company.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

During the Reporting Period, the Company communicated with its investors and shareholders in a pro-active, honest and open manner through a number of official channels including holding shareholders' general meetings, results announcement press conference, and in-house visits for investors with a view to ensuring fair disclosure of the Group's performance and business and making comprehensive and transparent reports.

Shareholders' general meetings not only make decisions on major matters of the Company, but also provide direct communication channels among the Directors, the management and the shareholders. Therefore, the Company highly values shareholders' general meetings and sends notices of such meetings, which set out the procedures for voting by poll and the rights of shareholders to demand to vote by poll in accordance with the Listing Rules, 45 days prior to the meetings. During the Reporting Period, the Company held two shareholders' general meetings at which major matters of the Company were considered, such as 2015 audited financial report, profit distribution, the amendment of the Articles of Association and the new session of the Board and the Supervisory Committee, etc.

The Company highly values investor relations and has set up a special telephone and electronic mail box for investors. The Company received enquiries from institutional investors by way of telephone and emails, and received over 200 visits from institutional investors during the year. During the year of 2016, the Company ran two results releases and international non-deal road shows, visited 37 investment institutions with 50 investors in total. Through communication with the investors, the Company enables investors to have a full understanding of its various financial and operating information and its latest development timely.

The Company issues annual report and interim report and dispatches them to the shareholders. The Company also publishes its announcements, circulars and press releases on its website at www.sinoma-ltd.cn.

To provide more effective channels of communication, the Company updates its website from time to time and releases corporate information and other related financial and non-financial information on its website when appropriate.

ARTICLES OF ASSOCIATION

On 3 June 2016, the Board proposed to amend the Articles of Association of the Company as follows:

1. Article 8 was proposed to be amended as follows:

"The Company may invest in other enterprises. However, unless it is otherwise provided for by any law, it shall not become a capital contributor that shall bear several and joint liabilities for the debts of the enterprises in which it invests."

2. Article 36 was proposed to be amended as follows:

"The Company shall not accept any subject matter taking the shares of the Company as a pledge. Transfer, grant, succession and pledge of shares of the Company shall be carried out in accordance with relevant laws, administrative regulations and the Articles of Association. Assignment and transfer of shares shall be registered at the share registrar assigned by the Company."

3. The second paragraph of Article 45 was proposed to be amended as follows:

"The application for the issue of replacement share certificate(s) by a holder of domestic invested shares who has lost his share certificate(s) shall be made in accordance with the relevant provisions of the Company Law."

4. The first paragraph of Article 58 was proposed to be amended as follows:

“Shareholders who request to convene an extraordinary general meeting or a class shareholders’ meeting shall follow the procedures set out below:

- (1) shareholders who separately or aggregately hold 10% or more of the voting rights of all the shares having the right to vote in such a meeting may sign one or several written requisitions with the same contents and in the same form to request the Board of Directors to convene an extraordinary general meeting or a class shareholders’ meeting, and the subject matter of the meeting shall be specified. Upon receipt of the said written requisitions, the Board of Directors shall convene an extraordinary general meeting or a class shareholders’ meeting as soon as possible. The calculation of the number of shares held as aforesaid shall be made as at the date of the written requisitions.
- (2) if the Board of Directors fails to furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting or a class shareholders’ meeting within 10 days after having received the aforesaid written requisitions, shareholders who separately or aggregately hold 10% or more of the voting rights of all the shares having the right to vote in such a meeting are entitled to propose to the Supervisory Committee to convene an extraordinary general meeting or a class shareholders’ meeting and shall make written proposals to the Supervisory Committee. The Supervisory Committee shall convene an extraordinary general meeting or a class shareholders’ meeting as soon as possible.
- (3) if the Supervisory Committee fails to furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting or a class shareholders’ meeting within 10 days after having received the aforesaid proposals, shareholders who separately or aggregately hold 10% or more of the voting rights of all the shares having the right to vote in such a meeting for 90 consecutive days may convene such meeting on themselves. The procedures for convening the meeting shall, as far as possible, be the same as those for convening a shareholders’ meeting by the Board of Directors.”

5. Article 69 was proposed to be amended as follows:

“A shareholders’ general meeting shall be convened and chaired by the chairman of the Board of Directors. If the chairman of the Board of Directors cannot attend the meeting, the meeting shall be chaired by the vice chairman. If the vice chairman cannot attend the meeting either, the meetings shall be presided over by a director jointly recommended by half or more of the directors. If the Board of Directors fails to perform his duties to convene a shareholders’ general meeting, the Supervisory Committee convening the shareholders’ general meeting or the shareholders proposing to convene such meeting shall be responsible for presiding over such shareholders’ general meeting. Shareholders’ general meeting convened by the Supervisory Committee shall be presided over by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his duties, the meetings shall be presided over by a supervisor jointly recommended by half or more of the supervisors. Shareholders’ general meeting convened by shareholders shall be presided over by representatives recommended by the conveners.”

6. The first paragraph of Article 97 was proposed to be amended as follows:

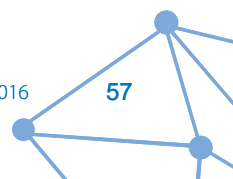
“The Company shall have a Board of Directors of the Company. The Board of Directors of the Company shall comprise 9 directors of the Company, of which at least 1/3 are independent directors of the Company. Independent directors of the Company may directly report to shareholders’ general meeting, securities regulatory managing authority under the State Council and other related departments.”

7. The first paragraph of Article 102 was proposed to be amended as follows:

“Periodic meetings of the Board of Directors shall be held at least four times per annum. Meetings of the Board of Directors shall be convened by the chairman.”

8. The first paragraph of Article 112 was proposed to be amended as follows:

“A director or any other senior officers (excluding the President and the chief financial officer) of the Company may concurrently hold the office of the secretary of the Board of Directors of the Company. An accountant of a firm of accountants retained as auditor by the Company and officers of controlling shareholders shall not concurrently act as the secretary of the Board of Directors of the Company.”



CORPORATE GOVERNANCE REPORT

9. The first paragraph of Article 123 was proposed to be amended as follows:

"The Supervisory Committee shall convene a meeting at least every six months and the meetings shall be convened by the chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is unable to or fails to perform the duty, a supervisor shall be elected by not less than half of the supervisors of the Supervisory Committee to convene and preside over the meeting."

10. The second paragraph of Article 171 was proposed to be amended as follows:

"In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and assets lists. The Company shall notify its creditors within a period of 10 days commencing from the date on which the resolutions approving the merger are passed and, within 30 days, make in newspapers announcements of the merger. The creditors may, within 30 days after receiving the notices or within 45 days after the issuance of the announcements if no notice is received, demand the Company to clear off their debts or to provide corresponding guaranties."

11. The first paragraph of Article 178 was proposed to be amended as follows:

"The liquidation committee shall notify the creditors within 10 days of its establishment and announce the same in the newspapers within 60 days. The creditors shall, within 30 days after receiving the notices or within 45 days after the issuance of the announcements if no notice is received, declare their credits to the liquidation committee. The liquidation committee shall record the declared credits in accordance with laws."

12. The fourth paragraph of Article 179 was proposed to be amended as follows:

"During the liquidation period, no business activities irrelevant to liquidation shall be commenced by the Company. None of the properties of the Company may be distributed to any shareholder before they are used for debt payoff as described in the preceding paragraphs."

The above proposed amendments to the Articles of Association were approved at the general meeting held on 29 July 2016. For details, please refer to the announcements of the Company published on 3 June 2016 and 29 July 2016 on the websites of the Company and the Hong Kong Stock Exchange and the circular of the Company published on 13 June 2016 on the websites of the Company and the Hong Kong Stock Exchange, respectively.

On 30 December 2016, the Board proposed to amend the Articles of Association of the Company as follows:

1. The second paragraph of Article 1 was proposed to be amended as follows:

"With the approval of the State Council, the Company was established after the restructuring and remolding by China National Non-Metallic Materials Corporation and was registered in the State Administration for Industry & Commerce of the People's Republic of China on July 31, 2007, and obtained its business license. The unified social credibility code on the Company's business license is 91110000100006100T."

2. Article 3 was proposed to be amended as follows:

"The place of domicile of the Company: 8th Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing
Postal Code: 100036"

The above proposed amendments to the Articles of Association were approved at the general meeting held on 31 March 2017. For details, please refer to the announcements of the Company published on 30 December 2016 and 31 March 2017 on the websites of the Company and the Hong Kong Stock Exchange and the circular of the Company published on 13 February 2017 on the websites of the Company and the Hong Kong Stock Exchange, respectively.



信永中和會計師事務所

ShineWing

certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,
No. 8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P. R. China

聯繫電話: +86(010)6554 2288
telephone: +86(010)6554 2288

傳真: +86(010)6554 7190
facsimile: +86(010)6554 7190

XYZH/2017BJA30171

To the shareholders of China National Materials Company Limited

1. OPINION

We have audited the financial statements of China National Materials Company Limited (hereinafter referred to as "Sinoma" or "You", together with its subsidiaries referred to as the "Group"), which comprise the consolidated and parent company's balance sheet as at 31 December 2016, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement and the consolidated and parent company's statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company's financial position of Sinoma as at 31 December 2016, its consolidated and parent company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Sinoma in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3. KEY AUDIT MATTERS

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

(1) Estimation of Goodwill Impairment

Key Audit Matter

Refer to Note IV 20, Note IV 28 (3) and Note VI 20 to the Group's consolidated financial statements, as of 31 December 2016, the net carrying value of the Group's goodwill is RMB1,532 million, which arose from the acquisition of subsidiaries by the Group, belonging to the significant assets to the Group. Pursuant to the requirements of "Accounting Standards for Enterprises – Asset Impairment", the Group is required to carry out impairment test on goodwill at the end of each year. The goodwill impairment test process is very complicated and depends on the judgments and estimates made by the Management on the forecast of future income and cash flow discount rates etc. of the acquired subsidiaries. Accordingly, we considered the estimation of goodwill impairment was a key audit matter.

How the matter was addressed in the audit

Our key audit procedures conducted are as follows:

- In connection with our understanding of the business, industry and the previous operations of the acquired subsidiaries, we discussed with the Management, assessed the reasonableness on the method adopted by the Management during the goodwill impairment test process, key valuation assumptions, selected parameters, forecast future income and cash flow discount rates, etc. and also assessed whether the Group's goodwill impairment test process was in accordance with the Group's goodwill impairment test accounting policy.
- We discussed with the third-party professional consultants hired by the Group, to understand and assess the reasonableness of the Group's goodwill impairment test.
- We evaluated the Management's assessment on goodwill and its impairment test results and also the appropriateness of the disclosure in the Group's financial statements.

(2) Overseas Tax Matters

Key Audit Matter

Refer to the Note IV 28 (6), Note V 3 and Note XII (I) to the Group consolidated financial statements, as of 31 December 2016, Saudi Branch of Sinoma International Engineering Co., Ltd. (a second-level subsidiary of the Group) involved tax queries raised by the local tax authorities. The Group is currently appealing to the queries. After consulting with the engaged local tax experts, the Group considered that the Group has reasonable reasons to appeal to the queries. The Group disclosed the matter as contingencies to the Note XII (I) to the financial statements. In view of the assessment of Saudi Arabia tax matters depended on the Management's assessment and judgment, the final outcome might have a significant impact on the Group's future financial statements. Accordingly, we considered the Saudi Arabia tax matter is a key audit matter.

(3) Estimation of Construction Contract

Key Audit Matter

Refer to Note IV 28 (5) and Note VI 49 to the Group consolidated financial statements, the Group's operating revenue included income from engineering equipment and services, such income involves the accounting for the construction income in accordance with "Accounting Standards for Enterprises No.15-Construction Contract".

The Group adopted the percentage of completion method to recognise the relevant construction contract income and to determine the construction contract completion status according to the proportion of the actual accumulated contract cost to the estimated total contract cost. Since the engineering equipment and services income was a significant income to the Group, the computation and changes in the estimated total contract costs involved significant accounting estimates and judgments. Accordingly, we considered the estimation of the construction contract was a key audit matter.

How the matter was addressed in the audit

Our key audit procedures conducted are as follows:

- We checked the correspondences between the Group and the relevant tax authorities in understanding the reasons and details of the significant tax disputes.
- We obtained the correspondences for the external engaged tax experts in understanding their estimation of tax disputes and judgments of tax disputes;
- In connection with and application of the above information, we assessed the Management's expectation to the final outcome of the Saudi Arabia tax matter and the reasonableness of the estimation and judgment of the impact on financial statements and also the appropriateness of the disclosure in the Group's financial statements.

How the matter was addressed in the audit

Our key audit procedures conducted are as follows:

- We assessed the design of internal control on the recording and estimation of construction contract income and costs and tested the effectiveness on the implementation of key control.
- We adopted sampling method and compared the actual accumulated contract cost for completed projects with those estimated contract costs estimated by the Management prior to the completion of the projects, and assessed the Management's experience and ability in forming such accounting estimation.
- We adopted sampling method and checked the component items of total estimate costs of the project with the procurement contracts and other supporting documents; Based on the discussion with the project engineers and reviewing the relevant supporting documents, we evaluated the reasonableness on the changes of the estimated total contract costs.

4. OTHER INFORMATION

The management of Sinoma (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in the Sinoma 2016 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

5. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Sinoma'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 Management either intends to liquidate Sinoma or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing Sinoma's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally 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 financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

- (1) Identify and assess the risks of material misstatement of the 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 audit. 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.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- (4) Conclude on the appropriateness of the Management's 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 Sinoma'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 financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall 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 Sinoma to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Sinoma to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance audit of the group. 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 etc., 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 those 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 related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 prohibited public disclosure about the matter or when, in 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.

ShineWing Certified Public Accountants LLP

CICPA: Zhan Jun (Audit Partner)

CICPA: Ding Huichun

Beijing, China

31 March 2017

Consolidated Balance Sheet

31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	As at 31 December 2016	As at 31 December 2015
Current assets:			
Monetary funds	VI.1	17,938,399,177.44	15,059,508,463.86
Financial assets at fair value through profit or loss	VI.2	5,302,903.32	18,417,367.12
Bills receivable	VI.3	5,220,075,723.28	4,141,302,237.29
Accounts receivable	VI.4	8,260,671,460.88	9,249,803,070.72
Prepayments	VI.5	3,559,649,291.84	4,498,868,368.53
Interest receivable		14,854,583.91	41,308,381.85
Dividends receivable	VI.6	39,137,097.90	39,557,042.70
Other receivables	VI.7	1,000,245,750.80	910,092,488.22
Inventories	VI.8	8,007,242,535.61	9,622,098,088.62
Assets classified as held for sale	VI.9	41,907,445.58	43,565,713.65
Non-current assets due within one year		190,206,006.45	31,939,063.66
Other current assets	VI.10	531,777,191.13	808,835,575.00
Total current assets		44,809,469,168.14	44,465,295,861.22
Non-current assets:			
Available-for-sale financial assets	VI.11	2,717,403,870.93	3,097,278,962.43
Held-to-maturity investments	VI.12	-	-
Long-term receivables	VI.13	1,409,191,067.46	332,014,376.92
Long-term equity investments	VI.14	239,633,436.78	219,746,632.41
Investment properties	VI.15	313,687,704.55	326,152,305.36
Fixed assets	VI.16	42,718,647,177.17	43,717,983,089.36
Construction in progress	VI.17	1,858,761,729.36	2,170,813,642.02
Construction materials		955,197.22	1,689,386.48
Disposal of fixed assets		2,760,748.79	4,151,014.00
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	VI.18	4,818,842,003.52	4,727,606,894.76
Development expenditures	VI.19	106,592,418.23	40,644,061.62
Goodwill	VI.20	1,532,196,983.00	1,644,081,493.25
Long-term prepayments	VI.21	684,990,733.48	688,757,725.59
Deferred income tax assets	VI.22	1,040,769,848.40	940,993,259.15
Other non-current assets	VI.23	168,872,509.93	240,747,491.15
Total non-current assets		57,613,305,428.82	58,152,660,334.50
Total assets		102,422,774,596.96	102,617,956,195.72

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Consolidated Balance Sheet

31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	As at 31 December 2016	As at 31 December 2015
Current liabilities:			
Short-term borrowings	VI.24	11,344,696,714.05	12,308,967,318.68
Financial liabilities at fair value through profit or loss	VI.25	2,562,715.43	9,142,168.24
Bills payable	VI.26	4,264,101,092.89	3,948,148,840.93
Accounts payable	VI.27	12,784,123,997.60	12,755,448,214.94
Accounts received in advance	VI.28	10,315,118,567.63	10,605,187,497.28
Employee benefits payable	VI.29	853,455,498.45	719,174,610.16
Taxes payable	VI.30	617,184,805.79	641,110,984.05
Interest payable	VI.31	247,432,291.27	287,570,906.66
Dividends payable	VI.32	132,117,503.90	221,536,460.30
Other payables	VI.33	1,306,600,086.88	1,421,633,625.40
Liabilities classified as held for sale		–	–
Non-current liabilities due within one year	VI.34	3,798,417,393.78	8,424,396,897.66
Other current liabilities	VI.35	6,563,564,483.01	5,347,700,313.95
Total current liabilities		52,229,375,150.68	56,690,017,838.25
Non-current liabilities:			
Long-term borrowings	VI.36	6,711,162,503.78	5,186,731,216.43
Bonds payable	VI.37	4,796,119,409.53	4,100,000,000.00
Including: preferred shares		–	–
perpetual bond		–	–
Long-term payables	VI.38	652,359,925.04	824,751,794.33
Long-term employee benefits payable	VI.39	292,079,236.77	295,382,198.03
Special payables	VI.40	313,168,444.12	287,557,761.08
Provisions	VI.41	286,603,241.14	193,987,526.67
Deferred incomes	VI.42	735,536,279.87	801,261,195.22
Deferred income tax liabilities	VI.22	764,636,191.59	881,105,477.64
Other non-current liabilities		–	–
Total non-current liabilities		14,551,665,231.84	12,570,777,169.40
Total liabilities		66,781,040,382.52	69,260,795,007.65

Consolidated Balance Sheet

31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	As at 31 December 2016	As at 31 December 2015
Shareholders' equity:			
Share capital	VI.43	3,571,464,000.00	3,571,464,000.00
Other equity instruments		-	-
Including: preferred shares		-	-
perpetual bond		-	-
Capital reserve	VI.44	5,956,389,552.00	4,693,739,636.75
Less: treasury shares		-	-
Other comprehensive income	VI.45	1,265,184,592.31	1,365,139,143.54
Special reserve	VI.46	247,886,109.99	222,546,698.14
Surplus reserve	VI.47	214,682,338.10	135,391,961.13
General risk provisions		-	-
Undistributed profits	VI.48	5,386,133,582.18	4,988,475,948.37
Total equity attributable to the shareholders of parent company		16,641,740,174.58	14,976,757,387.93
Minority interests		18,999,994,039.86	18,380,403,800.14
Total shareholders' equity		35,641,734,214.44	33,357,161,188.07
Total liabilities and shareholders' equity		102,422,774,596.96	102,617,956,195.72

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Balance Sheet of the Company

31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	As at 31 December 2016	As at 31 December 2015
Current assets:			
Monetary funds		666,688,821.77	303,998,811.14
Financial assets at fair value through profit or loss		-	-
Bills receivable		-	-
Accounts receivable		-	-
Prepayments		600,000.00	1,959,468.40
Interest receivable		-	-
Dividends receivable		46,915,119.64	47,315,119.64
Other receivables	XVI.1	1,076,029,588.13	1,757,569,147.05
Inventories		-	-
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets		-	-
Total current assets		1,790,233,529.54	2,110,842,546.23
Non-current assets:			
Available-for-sale financial assets		2,059,118,960.88	2,166,539,914.34
Held-to-maturity investments		-	-
Long-term receivables		535,130,000.00	-
Long-term equity investments	XVI.2	15,453,366,938.10	15,068,117,141.92
Investment properties		-	-
Fixed assets		3,688,764.07	4,475,695.43
Construction in progress		-	-
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets		4,617,195.75	4,046,094.52
Development expenditures		-	-
Goodwill		-	-
Long-term prepayments		-	-
Deferred income tax assets		-	-
Other non-current assets		-	-
Total non-current assets		18,055,921,858.80	17,243,178,846.21
Total assets		19,846,155,388.34	19,354,021,392.44

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Balance Sheet of the Company

31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	As at 31 December 2016	As at 31 December 2015
Current liabilities:			
Short-term borrowings		145,000,000.00	–
Financial liabilities at fair value through profit or loss		–	–
Bills payable		–	–
Accounts payable		9,134.95	–
Accounts received in advance		–	–
Employee benefits payable		2,857,000.00	2,416,615.75
Taxes payable		1,369,893.71	3,893,086.84
Interest payable		123,586,666.65	112,677,587.35
Dividends payable		13,117,309.22	11,239,033.32
Other payables		21,325,849.37	265,683,324.20
Liabilities classified as held for sale		–	–
Non-current liabilities due within one year		–	2,498,296,295.79
Other current liabilities		3,500,000,000.00	1,250,000,000.00
Total current liabilities		3,807,265,853.90	4,144,205,943.25
Non-current liabilities:			
Long-term borrowings		280,000,000.00	48,000,000.00
Bonds payable		2,500,000,000.00	2,500,000,000.00
Including: preferred shares		–	–
perpetual bond		–	–
Long-term payables		–	–
Long-term employee benefits payable		31,135,000.00	33,593,811.03
Special payables		–	–
Provisions		–	–
Deferred incomes		–	–
Deferred income tax liabilities		415,823,238.82	442,678,477.19
Other non-current liabilities		–	–
Total non-current liabilities		3,226,958,238.82	3,024,272,288.22
Total liabilities		7,034,224,092.72	7,168,478,231.47
Shareholders' equity:			
Share capital		3,571,464,000.00	3,571,464,000.00
Other equity instruments		–	–
Including: preferred shares		–	–
perpetual bond		–	–
Capital reserve		6,868,168,164.66	6,846,568,164.66
Less: treasury shares		–	–
Other comprehensive income		1,232,088,716.49	1,313,060,431.58
Special reserve		–	–
Surplus reserve		207,393,572.45	128,103,195.48
Undistributed profits		932,816,842.02	326,347,369.25
Total shareholders' equity		12,811,931,295.62	12,185,543,160.97
Total liabilities and shareholders' equity		19,846,155,388.34	19,354,021,392.44

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Consolidated Income Statement

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	2016	2015
I. Total operating revenue		50,576,870,050.73	53,258,868,400.05
Including: operating income	VI.49	50,576,870,050.73	53,258,868,400.05
II. Total operating cost		49,668,239,009.88	52,963,757,325.31
Including: operating cost	VI.49	40,307,947,379.94	44,006,612,177.93
Taxes and surcharges	VI.50	478,603,064.34	358,737,099.93
Selling expenses	VI.51	2,117,907,864.81	2,040,553,412.56
Administrative expenses	VI.52	4,382,095,558.04	4,344,544,005.32
Financial expenses	VI.53	1,384,730,893.96	1,759,800,168.45
Asset impairment losses	VI.54	996,954,248.79	453,510,461.12
Add: incomes from changes in fair value (losses to be listed with "-")	VI.55	3,847,413.56	-381,342.91
Investment incomes (losses to be listed with "-")	VI.56	133,733,010.74	416,762,734.88
Including: income from investment in associates and joint ventures		14,091,965.16	16,338,428.57
Exchange income (loss to be listed with "-")		-	-
III. Operating profit (loss to be listed with "-")		1,046,211,465.15	711,492,466.71
Add: non-operating incomes	VI.57	836,052,139.00	994,927,361.45
Including: gain from disposal of non-current assets		153,164,941.53	90,413,195.89
Less: non-operating expenses	VI.58	172,816,321.46	112,009,786.48
Including: loss from disposal of non-current assets		55,468,746.42	29,433,173.35
IV. Total profit (total loss to be listed with "-")		1,709,447,282.69	1,594,410,041.68
Less: income tax expenses	VI.59	552,599,440.73	507,453,070.24
V. Net profit (net loss to be listed with "-")		1,156,847,841.96	1,086,956,971.44
Net profit attributable to shareholders of the parent company		585,441,930.78	803,504,348.61
Minority interests		571,405,911.18	283,452,622.83
VI. Net amount of other comprehensive income		-217,581,595.42	-183,121,845.14
Other comprehensive income attributable to shareholders' of parent company (net of tax)		-99,954,551.24	-140,366,028.24
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		425,068.96	-9,045,048.47
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan		425,068.96	-9,045,048.47
2. Shares of other comprehensive income that cannot be reclassified to profit or loss of the investee entities under the equity method		-	-
(II) Other comprehensive income that may be subsequently reclassified to profit or loss		-100,379,620.20	-131,320,979.77
1. Shares of other comprehensive income that may be subsequently reclassified to profit or loss of the investee entities under the equity method		-1,786,977.78	-7,230,274.36
2. Gains and losses arising from changes in fair value of available-for-sale financial assets		-133,271,443.62	-104,165,402.93
3. Gains and losses arising from reclassifying held-to-maturity investment to available-for-sale financial assets		-	-
4. Effective portion of gains and losses arising from hedging instruments in a cash flow hedge		-	-
5. Exchange differences on translation of foreign currency financial statements		34,678,328.21	-19,925,379.18
6. Others		472.99	76.70
Other comprehensive income attributable to minority interests (net of tax)		-117,627,044.18	-42,755,816.90

Consolidated Income Statement

For the year ended 31 December 2016

Item	Notes	2016	2015
VII. Total comprehensive income		939,266,246.54	903,835,126.30
Total comprehensive income attributable to the shareholders of parent company		485,487,379.54	663,138,320.37
Total comprehensive income attributable to minority interests		453,778,867.00	240,696,805.93
VIII. Earnings per share:			
(I) Basic earnings per share		0.16	0.22
(II) Diluted earnings per share		0.16	0.22

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Income Statement of the Company

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	2016	2015
I. Operating revenue	XVI.3	70,912,900.10	98,304,390.75
Less: operating costs	XVI.3	-	5,505,045.87
Taxes and surcharges		2,088,953.31	2,567,864.89
Selling expenses		-	-
Administrative expenses		59,720,489.35	62,387,857.75
Financial expenses		309,961,197.32	350,719,337.77
Asset impairment losses		-	-100,000.00
Add: incomes from changes in fair value (losses to be listed with "-")		-	-
Investment incomes (losses to be listed with "-")	XVI.4	1,096,083,873.40	440,246,429.05
Including: income from investment in associates and joint ventures		37,488,569.28	4,998,730.57
II. Operating profit (loss to be listed with "-")		795,226,133.52	117,470,713.52
Add: non-operating incomes		-	-
Including: gain from disposal of non-current assets		-	-
Less: non-operating expenses		2,322,363.78	1,500,000.00
Including: loss from disposal of non-current assets		322,363.78	-
III. Total profit (total loss to be listed with "-")		792,903,769.74	115,970,713.52
Less: income tax expenses		-	-
IV. Net profit (net loss to be listed with "-")		792,903,769.74	115,970,713.52
V. Net amount of other comprehensive income		-80,971,715.09	-193,240,537.18
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		-406,000.00	-4,953,000.00
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan		-406,000.00	-4,953,000.00
2. Shares of other comprehensive income that cannot be reclassified to profit or loss of the investee entities under the equity method		-	-
(II) Other comprehensive income that may be subsequently reclassified to profit or loss		-80,565,715.09	-188,287,537.18
1. Shares of other comprehensive income that may be subsequently reclassified to profit or loss of the investee entities under the equity method		-	-
2. Gains and losses arising from changes in fair value of available-for-sale financial assets		-80,565,715.09	-188,287,537.18
3. Gains and losses arising from reclassifying held-to-maturity investment to available-for-sale financial assets		-	-
4. Effective portion of gains and losses arising from hedging instruments in a cash flow hedge		-	-
5. Exchange differences on translation of foreign currency financial statements		-	-
6. Others		-	-
VI. Total comprehensive income		711,932,054.65	-77,269,823.66

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	2016	2015
I. Cash flows generated from operating activities			
Cash received from sales of goods or rendering of services		44,352,478,152.53	47,516,126,022.48
Refund of taxes and surcharges		936,751,805.53	1,181,421,075.44
Cash received relating to other operating activities	VI.61	1,881,100,574.81	2,144,937,891.85
Subtotal of cash inflows from operating activities		47,170,330,532.87	50,842,484,989.77
Cash paid for goods and services		28,165,433,462.18	32,452,439,445.33
Cash paid to and on behalf of employees		5,575,297,131.16	5,615,363,415.04
Cash paid for taxes and surcharges		3,710,610,212.33	3,576,184,750.50
Cash paid relating to other operating activities	VI.61	3,130,932,718.98	3,823,353,958.31
Subtotal of cash outflows from operating activities		40,582,273,524.65	45,467,341,569.18
Net cash flows from operating activities		6,588,057,008.22	5,375,143,420.59
II. Cash flows generated from investing activities:			
Cash received from disposal of investments		75,056,223.68	166,921,972.72
Cash received from returns on investments		209,570,865.68	385,256,756.17
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		208,023,016.88	284,297,607.81
Net cash received from disposal of subsidiaries and other business entities		7,903,876.80	2,636,531.34
Cash received relating to other investing activities		45,526,333.25	96,425,778.36
Subtotal of cash inflows from investing activities		546,080,316.29	935,538,646.40
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,141,983,238.13	1,697,139,231.62
Cash paid for investments		267,649,832.08	105,086,473.00
Net increase in pledge loans		-	-
Net cash paid for acquisitions of subsidiaries and other business entities		-	136,403,233.99
Cash paid relating to other investing activities		28,527,400.00	26,974,561.79
Subtotal of cash outflows from investing activities		2,438,160,470.21	1,965,603,500.40
Net cash flows from investing activities		-1,892,080,153.92	-1,030,064,854.00
III. Cash flows generated from financing activities:			
Cash received from capital contributions		2,060,052,920.05	416,293,362.59
Including: cash received by subsidiaries' from capital contributions by minority interests		79,754,185.00	39,733,362.59
Cash received from borrowings		22,280,210,384.67	21,263,064,016.09
Cash received from issuing bonds			
Cash received relating to other financing activities	VI.61	9,000,176,780.25	11,109,923,233.05
Subtotal of cash inflows from financing activities		33,340,440,084.97	32,789,280,611.73
Cash repayments of borrowings		25,798,606,971.96	21,062,288,881.07
Cash payments for interest expenses and distribution of dividends or profits		2,336,328,841.34	2,401,235,959.96
Including: dividends and profits paid to minority interests by subsidiaries		350,136,282.40	384,111,152.79
Cash paid relating to other financing activities	VI.61	7,582,174,193.87	11,012,420,413.84
Subtotal of cash outflows from financing activities		35,717,110,007.17	34,475,945,254.87
Net cash flows from financing activities		-2,376,669,922.20	-1,686,664,643.14
IV. Effect of changes in exchange rate on cash and cash equivalents		232,865,903.54	183,940,409.82
V. Net increase in cash and cash equivalents	VI.61	2,552,172,835.64	2,842,354,333.27
Add: cash and cash equivalents at the beginning of the period	VI.61	12,951,276,987.11	10,108,922,653.84
VI. Cash and cash equivalents at the end of the period	VI.61	15,503,449,822.75	12,951,276,987.11

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Statement of Cash Flows of the Company

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	Notes	The year ended 31 December 2016	The year ended 31 December 2015
I. Cash flows generated from operating activities			
Cash received from sales of goods or rendering of services		–	–
Refund of taxes and surcharges		–	–
Cash received relating to other operating activities		11,454,537.93	11,866,461.21
Subtotal of cash inflows from operating activities		11,454,537.93	11,866,461.21
Cash paid for goods and services		–	–
Cash paid to and on behalf of employees		19,664,201.05	38,200,537.76
Cash paid for taxes and surcharges		6,912,112.79	8,778,972.80
Cash paid relating to other operating activities		53,063,629.32	34,978,758.96
Subtotal of cash outflows from operating activities		79,639,943.16	81,958,269.52
Net cash flows from operating activities		-68,185,405.23	-70,091,808.31
II. Cash flows generated from investing activities:			
Cash received from disposal of investments		–	940,800.00
Cash received from returns on investments		294,654,077.22	319,205,742.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	129,348,331.13
Net cash received from disposal of subsidiaries and other business entities		–	–
Cash received relating to other investing activities		1,746,285,474.93	757,304,419.53
Subtotal of cash inflows from investing activities		2,040,939,552.15	1,206,799,293.03
Cash paid to acquire fixed assets, intangible assets and other long-term assets		826,328.55	489,250.00
Cash paid for investments		118,550,000.00	662,900,000.00
Net cash paid for acquisitions of subsidiaries and other business entities		–	–
Cash paid relating to other investing activities		988,000,000.00	550,260,000.00
Subtotal of cash outflows from investing activities		1,107,376,328.55	1,213,649,250.00
Net cash flows from investing activities		933,563,223.60	-6,849,956.97
III. Cash flows generated from financing activities:			
Cash received from capital contributions		21,600,000.00	376,560,000.00
Cash received from borrowings		377,000,000.00	2,548,000,000.00
Cash received from issuing bonds		–	–
Cash received relating to other financing activities		3,500,000,000.00	5,000,000,000.00
Subtotal of cash inflows from financing activities		3,898,600,000.00	7,924,560,000.00
Cash repayments of borrowings		2,750,000,000.00	1,750,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		401,287,807.74	260,480,218.85
Cash paid relating to other financing activities		1,250,000,000.00	6,019,160,709.28
Subtotal of cash outflows from financing activities		4,401,287,807.74	8,029,640,928.13
Net cash flows from financing activities		-502,687,807.74	-105,080,928.13
IV. Effect of changes in exchange rate on cash and cash equivalents		–	–
V. Net increase in cash and cash equivalents		362,690,010.63	-182,022,693.41
Add: cash and cash equivalents at the beginning of the period		303,998,811.14	486,021,504.55
VI. Cash and cash equivalents at the end of the period		666,688,821.77	303,998,811.14

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

2016

Item	Equity attributable to shareholders of the parent company										Total shareholders' equity	
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions		Undistributed profits
I. At 31 December 2015	3,571,464,000.00	-	-	-	4,693,739,636.75	1,365,139,143.54	222,546,698.14	135,391,961.13	-	4,988,475,948.37	18,380,403,800.14	33,357,161,888.07
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period accounting errors	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. At 1 January 2016	3,571,464,000.00	-	-	-	4,693,739,636.75	1,365,139,143.54	222,546,698.14	135,391,961.13	4,988,475,948.37	18,380,403,800.14	33,357,161,888.07	
III. Increase/decrease during the period (decrease to be listed with "+")	-	-	-	-	1,262,649,915.25	-99,954,351.23	25,339,411.85	79,290,376.97	-	397,657,633.81	619,590,239.72	2,284,573,026.37
(I) Total comprehensive income	-	-	-	-	-	-99,954,351.23	-	-	-	-	-	-
(II) Capital contribution and withdraw by shareholders	-	-	-	-	1,262,649,915.25	-	-	-	-	-	-	-
1. Shareholders' ordinary share	-	-	-	-	29,544,300.00	-	-	-	-	-	-	-
2. Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	1,233,105,615.25	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	79,290,376.97	-187,784,296.97	-79,290,376.97	608,468,809.92	1,841,574,425.17
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	79,290,376.97	-	-	-500,713,792.87	-609,207,712.87
2. Appropriation of general risk provisions	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to Shareholders	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to share capital	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves to recover loss	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	25,339,411.85	-	-	-	-	-
1. Appropriation in current period	-	-	-	-	-	-	95,445,453.44	-	-	-	-	-
2. Amount used in current period	-	-	-	-	-	-	-70,106,041.59	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-8,449,986.00	-8,449,986.00
IV. At 31 December 2016	3,571,464,000.00	-	-	-	5,956,389,552.00	1,265,184,792.31	247,886,109.99	214,682,338.10	5,386,133,582.18	18,999,894,039.86	35,641,734,214.44	

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

Item	2015										Total shareholders' equity		
	Equity attributable to shareholders of the parent company												
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits	Minority interests	
I. At 31 December 2014	3,571,464,000.00	-	-	-	3,908,000,339.36	-	1,505,305,171.78	2,028,763,166	123,794,889.78	-	4,304,612,591.11	17,108,679,034.50	30,724,932,638.19
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period accounting errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. At 1 January 2015	3,571,464,000.00	-	-	-	3,908,000,339.36	-	1,505,305,171.78	2,028,763,166	123,794,889.78	-	4,304,612,591.11	17,108,679,034.50	30,724,932,638.19
III. Increase/decrease during the period (decrease to be listed with "+")													
(I) Total comprehensive income	-	-	-	-	785,739,297.39	-	-140,366,028.24	19,670,066.48	11,597,071.35	-	683,863,357.26	1,271,724,765.64	2,632,228,529.88
(II) Capital contribution and withdraw by shareholders	-	-	-	-	-	-	-140,366,028.24	-	-	-	803,504,346.61	240,696,805.93	903,835,126.30
1. Shareholders' ordinary share	-	-	-	-	785,739,297.39	-	-	-	-	-	-	1,547,148,816.17	2,332,884,113.56
2. Capital contribution by holders of other equity instruments	-	-	-	-	375,619,200.00	-	-	-	-	-	-	718,048,994.64	1,093,668,194.64
3. Share-based payment	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	410,120,097.39	-	-	-	-	-	-	829,095,821.53	1,239,215,918.92
(III) Profit distribution	-	-	-	-	-	-	-	-	11,597,071.35	-	-119,640,991.35	-524,000,601.54	-632,044,521.54
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	11,597,071.35	-	-11,597,071.35	-	-
2. Appropriation of general risk provisions	-	-	-	-	-	-	-	-	-	-	-107,143,920.00	-524,000,601.54	-631,144,521.54
3. Distribution to Shareholders	-	-	-	-	-	-	-	-	-	-	-900,000.00	-	-900,000.00
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital	-	-	-	-	-	-	-	19,670,066.48	-	-	-	7,883,745.08	27,553,811.56
2. Surplus reserves transfer to share capital	-	-	-	-	-	-	-	99,098,951.63	-	-	-	52,848,196.70	151,947,148.33
3. Surplus reserves to recover loss	-	-	-	-	-	-	-	-79,428,885.15	-	-	-	-44,964,451.62	-124,393,336.77
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in current period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount used in current period	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. At 31 December 2015	3,571,464,000.00	-	-	-	4,693,739,636.75	-	1,365,139,143.54	2,224,669,814	135,391,961.13	-	4,988,475,948.37	18,380,403,800.14	33,357,161,188.07

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

Unit: RMB

2016

Item	Equity attributable to shareholders of the parent company							Total shareholders' equity			
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profits
I. At 31 December 2015	3,571,464,000.00	-	-	-	6,846,588,164.66	-	1,313,060,431.58	-	128,103,195.48	326,347,369.25	12,185,543,160.97
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period accounting errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. At 1 January 2016	3,571,464,000.00	-	-	-	6,846,588,164.66	-	1,313,060,431.58	-	128,103,195.48	326,347,369.25	12,185,543,160.97
III. Increase/decrease during the period (decrease to be listed with "-")	-	-	-	-	21,600,000.00	-	-80,971,715.09	-	79,290,376.97	606,469,472.77	626,388,134.65
(I) Total comprehensive income	-	-	-	-	-	-	-80,971,715.09	-	-	792,903,769.74	711,932,054.65
(II) Capital contribution and withdrawal by shareholders	-	-	-	-	21,600,000.00	-	-	-	-	-	21,600,000.00
1. Shareholders' ordinary share	-	-	-	-	21,600,000.00	-	-	-	-	-	21,600,000.00
2. Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	79,290,376.97	-186,434,296.97	-107,143,920.00
2. Distribution to Shareholders	-	-	-	-	-	-	-	-	79,290,376.97	-79,290,376.97	-
3. Others	-	-	-	-	-	-	-	-	-	-107,143,920.00	-107,143,920.00
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves to recover loss	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in current period	-	-	-	-	-	-	-	-	-	-	-
2. Amount used in current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. At 31 December 2016	3,571,464,000.00	-	-	-	6,868,188,164.66	-	1,232,088,716.49	-	207,393,572.45	932,816,842.02	12,811,931,295.62

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2016

Company Name: China National Materials Company Limited

76

Unit: RMB

Item	2015										Total shareholders' equity
	Equity attributable to shareholders of the parent company										
	Other equity instruments					Less:					Total shareholders' equity
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. At 31 December 2014	3,571,464,000.00	-	-	-	6,470,948,964.66	-	1,506,300,968.76	-	116,506,124.13	329,117,647.08	11,994,337,704.63
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period accounting errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. At 1 January 2015	3,571,464,000.00	-	-	-	6,470,948,964.66	-	1,506,300,968.76	-	116,506,124.13	329,117,647.08	11,994,337,704.63
III. Increase/decrease during the period (decrease to be listed with "-")											
(I) Total comprehensive income	-	-	-	-	375,619,200.00	-	-199,240,537.18	-	11,597,071.35	-2,770,277.83	191,205,456.34
(II) Capital contribution and withdraw by shareholders	-	-	-	-	-	-	-199,240,537.18	-	-	115,970,713.52	-77,269,823.66
1. Shareholders' ordinary share	-	-	-	-	375,619,200.00	-	-	-	-	-	375,619,200.00
2. Capital contribution by holders of other equity instruments	-	-	-	-	375,619,200.00	-	-	-	-	-	375,619,200.00
3. Share-based payment	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	11,597,071.35	-118,740,991.35	-107,143,920.00
2. Distribution to Shareholders	-	-	-	-	-	-	-	-	11,597,071.35	-11,597,071.35	-
3. Others	-	-	-	-	-	-	-	-	-	-107,143,920.00	-107,143,920.00
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves to recover loss	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in current period	-	-	-	-	-	-	-	-	-	-	-
2. Amount used in current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. At 31 December 2015	3,571,464,000.00	-	-	-	6,846,568,164.66	-	1,313,060,431.58	-	128,103,195.48	326,347,369.25	12,165,543,160.97

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Notes to the Financial Statements

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

I. COMPANY PROFILE

China National Materials Company Limited (hereinafter referred to as “the Company”, or collectively “the Group” if subsidiaries are included) has been restructured from China Non-Metallic Materials Corporation which is a secondary enterprise owned by the whole people subordinated to China National Materials Group Corporation Ltd. (hereinafter referred to as “Sinoma Group”), and has been established by Sinoma, together with other sponsors including Taian State-owned Assets Management Co., Ltd. (hereinafter referred to as “Taian State-owned Assets”), China Cinda Asset Management Co., Ltd. (hereinafter referred to as “Cinda”), BBMG Group Co., Ltd. (hereinafter referred to as “BBMG”), Well Kent International Holdings Co., Ltd. (hereinafter referred to as “Well Kent”), Xinjiang Tianshan Building Materials (Group) Co., Ltd. (hereinafter referred to as “Tianshan Building Materials”) and Zibo New & Hi-tech Venture Capital Co., Ltd. (hereinafter referred to as “Zibo Hi-tech”), with contribution in the forms of evaluated net assets, equities and monetary funds, in accordance with the Reply of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on Restructuring of Owner’s Assets and Overseas Listing of China National Materials Group Corporation Ltd. (GZGG [2007] No. 313) and the Approval of the State-owned Assets Supervision and Administration Commission of the State Council Concerning the Adjustment of Limited Liability Company Sponsors by China National Materials Group Corporation Ltd. (GZTGG [2007] No. 366).

The Company obtained the renewed Business License of Enterprise Legal Person (No. 1000001000610) issued by the State Administration for Industry & Commerce on 31 July 2007, with RMB2,500 million of registered capital. The address is No. 11, Beishuncheng Street, Xizhimennei, Xicheng District, Beijing. The shareholders and their shareholding proportion are listed below:

Shareholder Name	Share capital	Proportion
China National Materials Group Corporation Ltd.	1,565,202,629	62.61%
Taian State-owned Assets Management Co., Ltd.	324,459,649	12.97%
China Cinda Asset Management Co., Ltd.	319,788,108	12.79%
Well Kent International Holdings Co., Ltd.	130,793,218	5.23%
Xinjiang Tianshan Building Materials (Group) Co., Ltd.	67,377,080	2.70%
BBMG Group Co., Ltd.	65,396,609	2.62%
Zibo New & Hi-tech Venture Capital Co., Ltd.	26,982,707	1.08%
Total	2,500,000,000	100.00%

On 15 November 2007, according to the Reply of China Securities Regulatory Commission on Approval of Issuing Overseas Listed Foreign Shares for China National Materials Group Corporation Ltd. (ZJGHZ [2007] No. 37), the Company was approved to issue not more than 1,071,465,340 overseas listed foreign shares which are all ordinary shares with a par value of RMB 1.00. Sinoma Group, Taian State-owned Assets, Cinda, BBMG, Well Kent, Tianshan Building Materials and Zibo Hi-tech transferred not more than 92,684,230 state-owned shares to the National Council for Security Fund into overseas listed foreign shares. On 7 December 2007, the Company issued a Prospectus to issue 931,708,000 H shares for global investors with a par value of RMB1.00 per share. After the issuance, the Company was listed on the main board of Hong Kong Exchanges and Clearing Limited on 20 December 2007. On 3 January 2008, the Company exerted its overallotment option to issue 139,756,000 H shares for global investors with a par value of RMB1.00 per share. After the issuance, the Company was listed on the main board of Hong Kong Exchanges and Clearing Limited on 11 January 2008. Meanwhile, the state-owned shareholder of the Company transferred its 92,684,115 state-owned shares to the National Council for Social Security Fund.

After the issuance, the registered capital of the Company applied for registration was RMB3,571,464,000.00 which was verified by Reanda Certified Public Accountants by issuing the capital verification report (LADYZ [2008] No. 1003).

In April 2009, Taian State-owned Assets transferred its 309,786,095 shares of the Company to Taian Taishan Investment Co., Ltd. (hereinafter referred to as “Taishan Investment”) in accordance with the Reply of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on Issues Concerning Transfer of Shares Held by the State-owned Shareholder of China National Materials Company Limited (GZCQ [2009] No. 171). The registration of transfer was completed by China Securities Depository and Clearing Co., Ltd. on 27 April 2009.

The Company obtained the changed Business License (the unified social credit code is No. 91110000100006100T) issued by the Beijing Administration for Industry & Commerce on 6 December 2016, with RMB3,571,464,000.00 of registered capital. The renewed address is Floor 8, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

I. COMPANY PROFILE (Continued)

As of 31 December 2016, the legal representative of the Company was Liu Zhijiang and the shareholders and their contribution proportion are as follows:

Shareholder Name	Share capital	Proportion
China National Materials Group Corporation Ltd.	1,494,416,985	41.84%
China Cinda Asset Management Co., Ltd.	319,788,108	8.96%
Taian Taishan Investment Co., Ltd.	309,786,095	8.67%
Well Kent International Holdings Co., Ltd.	130,793,218	3.66%
Xinjiang Tianshan Building Materials (Group) Co., Ltd.	64,329,980	1.80%
BBMG Group Co., Ltd.	62,439,074	1.75%
Zibo New & Hi-tech Venture Capital Co., Ltd.	25,762,425	0.72%
Shareholders of public H shares	1,164,148,115	32.60%
Total	3,571,464,000	100.00%

The Company has its Board of Directors of which the function is to manage and control important decisions and routine work of the Company.

The controlling shareholder of the Company is Sinoma and ultimate holding party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council. The Company has 11 subsidiaries including Sinoma International Engineering Co., Ltd. (hereinafter referred to as "Sinoma International"), Sinoma Science & Technology Co., Ltd. (hereinafter referred to as Sinoma Science & Technology), Xinjiang Tianshan Cement Co., Ltd. (hereinafter referred to as "Tianshan Cement"), Ningxia Building Materials Group Co., Ltd. (hereinafter referred to as "Ningxia Building Materials") and Gansu Qilianshan Building Materials Holdings Co., Ltd. (hereinafter referred to as "Qilianshan Holdings").

Main business scope of the Group covers the following: contracting overseas projects suitable for the Group's capacity, scale and performance, dispatching abroad workers for implementation of overseas construction projects; research, development, production and sales of inorganic non-metal materials; design, production (with production activities restricted to be carried out in other towns and cities than local place) and sales of products manufactured with application of inorganic non-metal materials; EPC; engineering consultation and design; import and export; lease of construction and mining machineries and sales of relevant accessories; technical consultation and technical services related to the above-mentioned business. (The enterprise shall independently choose the business items and carry out the business activities in accordance with the law; and shall carry out business activities upon approval of applicable departments with regard to the items operated upon approval according to the law; the enterprise may not engage in any business activities prohibited and restricted by the industrial policies of this city.)

Main business of the Group is divided into three segments: cement equipment and engineering services, cement, and high-tech materials.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements of the Group remains unchanged compared with the previous year and contains 11 subsidiaries including Sinoma International, Sinoma Science & Technology, Ningxia Building Materials and Qilianshan Holdings. For details, please see "VIII. Interest in other entities" in the Notes.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

III. PREPARATION BASIS OF FINANCIAL STATEMENTS

(1) Preparation basis

On the going-concern basis the financial statements of the Group have been prepared in accordance with actually-occurring transactions and items, Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and other related regulations, Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 15 – General Provisions on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements in Rules Governing the Listing of Securities issued by Hong Kong Stock Exchange and Companies Ordinance of Hong Kong, and accounting policies and accounting estimates as set out in “IV. Significant accounting policies and accounting estimates” in the Notes.

(2) Going concern

The Group has evaluated the going concern ability within 12 months since 31 December 2016 and has not found any event and condition causing substantial doubt about the going concern ability. These financial statements, therefore, are prepared on a going concern basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The detailed accounting policies and accounting estimates set out by the Group are based on the actual production and management characteristics, including operating cycle, recognition and measurement of bad debt provision for receivables, dispatched inventory measurement, measurement of net realizable value of inventories, classification and depreciation methods of fixed assets, amortization of intangible assets, capitalization condition of R&D expenses, and recognition and measurement of revenue.

1. Declaration on compliance with accounting standards for business enterprises

The financial statements prepared by the Group meet the requirements of ASBE and truly and fully reflect the financial position, business performance, cash flow of the Group.

2. Accounting period

An accounting period of the Group is from 1 January to 31 December of each calendar year.

3. Business cycle

The Group takes 12 months as a business cycle.

4. Recording currency

The Group uses Renminbi (“RMB”) as its recording currency.

5. Accounting treatment methods for business combination under common control and not under common control

The assets and liabilities acquired by the Group, as the combination party, from business combination under common control should be measured based on the book value in the ultimate holding party consolidated statements of the combination party on the combination date. The difference between the book value of the net assets acquired and that of the paid combination consideration shall be used to adjust the capital reserve. Where the capital reserve is insufficient for offset, retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combination not under common control are measured at fair value on the acquisition date. The combination costs are the sum of the fair value of cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Group on the acquisition date for acquiring control over the acquiree, and all costs directly related to the business combination (for business combination achieved in stages through multiple transactions, the combination costs are the sum of costs of all individual transactions). Where the combination costs are greater than the share of fair value of identifiable net assets acquired from the acquiree in the business combination, the difference thereof is recognized as goodwill. Where the combination costs are less than the share of fair value of identifiable net assets acquired from the acquiree in the business combination, the fair value of all identifiable assets, liabilities and contingent liabilities acquired from the business combination, as well as the fair value of non-cash assets of the consideration or the issued equity securities etc., are rechecked. Where the combination costs are, after rechecking, still less than the share of fair value of net identifiable assets acquired from the acquiree in the business combination, the difference is included in current non-operating income.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation method of consolidated financial statements

The Group includes all of its subsidiaries in the scope of consolidated financial statements.

In preparing the consolidated financial statements, where the accounting policy or accounting period adopted by subsidiaries are inconsistent with that adopted by the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits within the scope of consolidation shall be eliminated during preparation of consolidated financial statements. The share of subsidiary owner's equity not attributable to the parent company and the share of minority interest in the current net profits and losses, other comprehensive income and total comprehensive income must be respectively listed under "minority interests, minority interests, other comprehensive income attributable to minority interests, and total comprehensive income attributable to minority interests" in the consolidated financial statements.

For the subsidiary acquired in the business combination under common control, its financial performance and cash flow are included in the consolidated financial statements from the beginning of the year of combination. During preparation of comparative consolidated financial statements, relevant items of the financial statements of the previous period shall be adjusted. It shall be deemed that the reporting entity formed after the combination has existed since the beginning of control by the ultimate holding party.

For the subsidiary acquired in the business combination not under common control, its financial performance and cash flow are included in the consolidated financial statements since the date when the Group acquires the control rights. In preparing of consolidated financial statements, financial statements of the subsidiary are adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

7. Classification of joint arrangements and accounting treatment method for joint operations

The Group's joint arrangement includes joint operations and joint venture entities. For joint operations, the Group, as the joint operator, recognizes assets and liabilities solely held and owed by the Group, assets and liabilities jointly owned proportionally, and income and expenses solely or proportionally based on agreements. Only profit or loss attributable to other joint operators shall be recognized in transactions where assets purchase and sale occurred with joint operator but not classified as trading transactions.

8. Cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and high liquidity, and is easily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transaction

The amount of transactions in foreign currency shall be translated into that in RMB at the spot exchange rate on the transaction date. Monetary items calculated in foreign currency in the balance sheet are translated into RMB at the spot exchange rate on the balance sheet date; the exchange balance is directly included in current profits and losses, except the disposal of exchange balance that is formed by foreign currency borrowings for acquiring or constructing assets eligible for capitalization as per capitalization principle.

(2) Translation of foreign currency financial statements

The asset and liability items in the foreign currency balance sheet shall be translated at the spot exchange rate on balance sheet date; shareholders' equity items, except for "undistributed profit", shall be translated at the spot exchange rate at the time of transaction; and the income and expenditure items in the income statement shall be translated at the spot exchange rate on the transaction date. The difference arising from the above translation shall be listed in other comprehensive income items. Foreign currency cash flow is translated at the spot exchange rate on the date when cash flow occurs. The amount of effect of exchange rate fluctuations on cash shall be separately listed in the cash flow statement.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**10. Financial assets and financial liabilities**

The Group shall recognize one financial asset or financial liability when it becomes one of the parties to financial instrument contract.

(1) Financial assets

1) Classification, recognition and measurement of financial assets

Financial assets are classified by the Group into four categories according to the investment purposes and economic essence: financial assets at fair value through profit or loss, held-to-maturity investments, receivables, and available-for-sale financial assets.

Financial assets measured at fair value through profit or loss are trading financial assets. The Group classifies a financial asset meeting any of the following conditions as a trading financial asset: A. the financial asset is acquired to sell it in a short time; B. it belongs to a part of an identifiable financial instrument portfolio under centralized management, and there is objective evidence showing that the company uses the short-term profit method to manage this portfolio recently; C. it is a derivative instrument except the one that is designated and belongs to the derivative instrument of effective hedging instrument, or is the derivative instrument of financial guarantee contract, or is linked to the equity instrument investment without quotation in the active market and with fair value unable to be reliably measured, and must be settled by delivery of this equity instrument. Trading financial assets of the Group mainly include forward foreign exchange contract and open-end monetary funds that are subsequently measured at fair value with the changes in fair value included in the profit/gain arising from changes in fair value; cash dividends gained during holding of the assets that are recognized as investment income (at the disposal, the difference between the fair value and the initial entry amount is recognized as investment income and profit/gain arising from changes in fair value is adjusted at the same time).

Held-to-maturity investment refers to non-derivative financial assets which have fixed maturity date, fixed or determinable recoverable amount and for which the Group has clear intention and capability to hold to maturity. Held-to-maturity investment should be subsequently measured at the amortized cost by the effective interest rate method, and all the profits or losses incurred due to the derecognition, impairment or amortization should be included in current profits and losses.

Receivables refer to non-derivative financial assets which have no quotation in the active market, but have fixed or determinable recoverable amount. They should be measured subsequently at the amortized cost by the effective interest rate method, and all the profits or losses incurred due to the derecognition, impairment or amortization should be included in current profits and losses.

Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale at the time of initial recognition, and financial assets not classified to other classes. Equity instrument investments without quotation in the active market and with fair value unable to be reliably measured, and derivative financial assets which are linked to the equity investment and should be settled by delivery of the equity instrument shall be measured at cost; other financial assets with quotation in the active market or without quotation in the active market but with fair value able to be reliably measured shall be initially recognized and subsequently measured at the fair value. Except impairment losses and exchange gain/loss arising from foreign currency monetary assets, changes in fair value of available-for-sale financial assets shall be included in other comprehensive income. At the derecognition of the financial assets, the accumulated amount of changes in fair value which has been included in other comprehensive income before shall be transferred to current profits and losses. Cash dividends which are declared to distribute by the investee entity and related to equity instrument investments available for sale shall be included in current profits and losses as investment income.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

2) Recognition basis and measuring method for transfer of financial assets

Financial assets should be derecognized where any of the following conditions is met: ① the contractual right to acquire cash flow of the said financial assets is terminated; ② the financial assets have been transferred and almost all risks and rewards from the ownership of the said financial assets are transferred by the Group to the transferee; ③ the financial assets have been transferred and the transferor waives its control over the said assets, despite the transferor has not transferred or retained any risks and rewards from the ownership of the said financial assets.

Where the enterprise neither transfers nor retains any risk or reward on the financial asset ownership, if the control over the financial assets is not waived, relevant financial assets should be recognized according to the extent to which they are involved in the transferred financial assets, and relevant liabilities should be recognized correspondingly.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the book value of transferred financial assets and the sum of consideration received from the transfer and accumulated amount of changes in fair value previously recognized in other comprehensive income should be included in current profits and losses.

Where the partial transfer of the financial assets meets derecognition conditions, the book value of the transferred financial assets should be appointed between the derecognized and non-derecognized portions as per their relative fair values respectively; and the difference between the sum of consideration received from the transfer and accumulated amount of changes in fair value previously recognized in other comprehensive income and appointed to the derecognized portion, and the aforesaid book value appointed should be included in current profits and losses.

3) Test and accounting treatment methods for impairment of financial assets

The Group assesses the book value of financial assets, except for the financial assets at fair value through profit or loss, on the balance sheet date. If there is objective evidence showing impairment of any financial asset item, the impairment provision shall be drawn.

In case of impairment of financial assets measured at amortized cost, the impairment provision will be drawn according to the balance between the expected future cash flow (excluding the future credit loss which has not happened yet) and the book amount. If there is objective evidence showing that the value of the financial assets is recovered and it is objectively related to the matters that happen after the impairment is recognized, the impairment loss recognized before should be reversed and included in current profits and losses.

In case of substantial or non-temporary decline of fair value of available-for-sale financial assets, the accumulated loss due to decline of the fair value which has been directly included in the other comprehensive incomes shall be transferred out and included in impairment loss. As for equity instrument investment available for sale whose impairment loss has been recognized, the increase of fair value in periods following shall be directly included in other comprehensive income.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**10. Financial assets and financial liabilities (Continued)****(2) Financial liabilities**

1) Classification, recognition and measurement of financial liabilities

Financial liabilities of the Group are classified, at the time of initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss are trading financial liabilities. The Group classifies a financial liability meeting any of the following conditions as a trading financial liability: A. the financial liability is acquired to sell it in a short time; B. it belongs to a part of an identifiable financial instrument portfolio under centralized management, and there is objective evidence showing that the company uses the short-term profit method to manage this portfolio recently; C. it is a derivative instrument except the one that is designated and belongs to the derivative instrument of effective hedging instrument, or is the derivative instrument of financial guarantee contract, or is linked to the equity instrument investment without quotation in the active market and with fair value unable to be reliably measured, and must be settled by delivery of this equity instrument. Trading financial liabilities of the Group are forward foreign exchange contracts that are subsequently measured at fair value with the changes in fair value included in the profit/gain arising from changes in fair value (at the disposal, the difference between the fair value and the initial entry amount is recognized as investment income and profit/gain arising from changes in fair value is adjusted at the same time).

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

2) Derecognition conditions of financial liabilities

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. The difference between the book value of the derecognized part and the paid consideration shall be included in current profits and losses.

3) Determination methods for fair value of financial assets and financial liabilities

The Group measures the fair value of financial assets and financial liabilities, based on the prices of major markets or the price of the most advantageous market in case of no major market, and employ the valuation techniques currently available and supported by sufficient valid data and other information. The inputs for measuring the fair value are divided into three levels: the inputs for Level 1 are the unadjusted quotation of identical assets or liabilities in the active market which can be obtained on the measurement date; the inputs for Level 2 are the inputs directly or indirectly observable for relevant assets or liabilities other than those for Level 1; and the inputs for Level 3 are the inputs that are unobservable for relevant assets or liabilities. The Group gives priority to the inputs for Level 1 and then relevant observable inputs. Unobservable inputs can be used only when relevant observable inputs cannot be obtained or the obtainment is infeasible. At the end of the year, the available-for-sale financial assets measured at fair value shall use inputs for Level 1, and derivative financial instruments shall use inputs for Level 2. The lowest level that has significant impact on the overall fair value measurement determines which level this fair value measurement result shall belong to.

11. Bad debt provision for receivables

The Group will check the book value of receivables on the balance sheet date and recognize the following items as bad debt loss: debts that cannot be repaid due to production halt within foreseeable time due to revocation, bankruptcy, insolvency, serious shortage of cash flow of the debtor, and occurrence of severe natural disasters to the debtor; receivables with other conclusive evidence indicating that they cannot be recovered or can barely be recovered.

The Group applies the allowance method for the accounting of potential bad debts and performs the impairment test separately or integrally in the end of period, with accrued bad-debt provision included in current profit and loss. As for receivables for which there is authentic evidence showing that they are impossible to be recovered, the Group will recognize them as bad debt loss after approval through specified procedures and write off the drawn bad debt provision.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Bad debt provision for receivables (Continued)

The long-term receivables of the Group are drawn for bad-debt provision by the portfolio method, and the portfolio falls into long-term receivables within the credit period and overdue long-term receivables. The long-term receivables within the credit period shall not be withdrawn of bad-debt provision, and the overdue long-term receivables shall be transferred to accounts receivable at the moment when it is due and the withdrawal of bad-debt provision shall be in the drawing proportion based on the analysis method of overdue aging and aging of accounts receivable.

(1) Receivables that are individually significant and are provided for bad debts on individual basis

Judgment basis or amount standard of individually significant receivable Regard receivables more than RMB10,000,000 as individually significant receivables

Method of provision for individually significant receivables on individual basis For receivables for which there is objective evidence showing that the full amount cannot be recovered as per original terms of the receivable, impairment test shall be conducted separately and the provision for bad debts shall be drawn according to the difference between the present value of expected future cash flow and the book value thereof.

(2) Receivables with bad debt provision drawn as per portfolio of credit risk features

Method for bad-debt provision withdrawn by portfolio

Account age portfolio Drawing of bad debt provision by aging analysis

- 1) Except second-level companies of the Group, including Sinoma International, Sinoma Science & Technology, Ningxia Building Materials and Xiamen ISO Standard Sand Co., Ltd. (hereinafter referred to as "Xiamen Standard Sand"), the drawing proportion of bad debt provision for receivables and other receivables of the Group and other subsidiaries divided based on account age portfolio is listed as follows:

Account Age	Proportion of provision for Accounts Receivable (%)	Proportion of provision for Other Receivables (%)
Within 1 year	5	5
1-2 years	10	10
2-3 years	20	20
3-4 years	50	50
4-5 years	80	80
Over 5 years	100	100

- 2) The drawing proportion of bad debt provision for receivables of Sinoma International, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

Account Age	Proportion of provision for Accounts Receivable (%)	Proportion of provision for Other Receivables (%)
Within 1 year	5	5
1-2 years	10	10
2-3 years	20	20
3-4 years	80	80
Over 4 years	100	100

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**11. Bad debt provision for receivables (Continued)****(2) Receivables with bad debt provision drawn as per portfolio of credit risk features (Continued)**

- 3) The drawing proportion of bad debt provision for receivables of Sinoma Science & Technology, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

Account Age	Proportion of provision for Accounts Receivable (%)	Proportion of provision for Other Receivables (%)
1-6 months	2	2
7-12 months	5	5
1-2 years	20	20
2-3 years	50	50
Over 3 years	100	100

- 4) The drawing proportion of bad debt provision for receivables of Ningxia Building Materials, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

Account Age	Proportion of provision for Accounts Receivable (%)	Proportion of provision for Other Receivables (%)
Within 1 year	3	3
1-2 years	10	10
2-3 years	20	20
3-4 years	50	50
4-5 years	80	80
Over 5 years	100	100

- 5) The drawing proportion of bad debt provision for receivables of Xiamen Standard Sand, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

Account Age	Proportion of provision for Accounts Receivable (%)	Proportion of provision for Other Receivables (%)
Within 1 year	5	5
1-2 years	10	10
2-3 years	30	30
3-4 years	50	50
4-5 years	80	80
Over 5 years	100	100

(3) Receivables that are individually insignificant but drawn bad debt individually

Reason for drawing of bad debt provision on individual item Receivables with insignificant individually amount and bad debt provision drawn by portfolio not reflecting risk features of the receivables

Drawing method for bad debts provision For receivables for which there is objective evidence showing that the full amount cannot be recovered as per original terms of the receivable, impairment test shall be conducted separately and the provision for bad debts shall be drawn according to the difference between the present value of expected future cash flow and the book value thereof.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories

The inventories of the Group mainly include raw materials, products in process, goods in stock, completed but unsettled assets formed through construction contracts, goods in transit, etc.

The contract costs of the Group actually incurred from construction contracts include direct and indirect costs. The direct costs include material cost, labor cost, machinery expenses and other direct expenses; while the indirect costs are expenses incurred by construction units or production units subordinated to the Group for organization and management of construction and production activities. For project construction, where the accumulated incurred contract cost and recognized gross profit is greater than the settled payment, the difference shall be reflected in inventories. Where the settled payment is greater than the accumulated incurred cost and recognized gross profit, the difference shall be reflected in accounts received in advance.

Inventories shall be subject to the perpetual inventory system and valued according to the actual cost when acquired. The acquired or sent shall be calculated by the Group with the weighted average method. Low value consumables and packing materials shall be amortized in full when used.

Ending inventories are valued by the cost or net realizable value, whichever is lower. For estimated irrecoverable part of cost due to inventory damage, obsolescence of all or partial inventories, or sale price lower than the cost, inventory impairment provisions are drawn. Inventory impairment provisions for goods in stock and bulk raw materials are drawn based on the difference between the cost of single inventory item and its net realizable value; for other numerous raw and auxiliary materials with low prices, inventory impairment provisions are drawn based on their categories.

As to inventories arising from construction contract, the Group shall check the construction contract term by term at the end of the period. When the expected total cost of the construction contract exceeds the expected total income of the contract, the inventory impairment provision shall be drawn as per the difference between the contract cost not yet occurring and the income not yet recognized.

For goods inventory directly available for sale such as goods in stock, products in process, and materials available for sale, its net realizable value is determined as per the estimated selling price deducting estimated selling expenses and relevant taxes; for material inventory held for production, its net realizable value is determined as per the estimated price of finished product deducting estimated cost till the completion date, estimated selling expenses, and related taxes. For inventory held for implementing sales contract or labor service contract, the net realizable value shall be calculated based on the contract price. If the quantity of inventories held is greater than ordered quantity of the sales contract, the net realizable value of the excessive part shall be calculated based on the general selling price.

13. Classification as assets held for sale

The Group categorizes non-current assets or disposal group meeting following conditions into assets available for sale: (I) the non-current assets or disposal group can be immediately sold only pursuant to general terms for selling such assets or disposal group; (II) the Company has made a resolution upon handling of the non-current assets or disposal group and had obtained appropriate approval; (III) the Company has signed an irrevocable transfer agreement with the transferee; (IV) the transfer will be completed within one year.

14. Long-term equity investments

The Group's long-term equity investments are mainly investments into subsidiaries, associates, and joint ventures.

The Group's criterion for joint control is that all parties or group of parties jointly control the arrangement, and policies of relevant activities of the arrangement must be subject to unanimous consent of parties sharing the control.

It is generally considered that the Group, when holding, directly or indirectly through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee entity, has a significant influence on the investee entity. The Group, if holding less than 20% of voting right of the investee entity, may have a significant influence on the investee entity in consideration of facts and situation that the Group sends representatives to the Board of Directors or similar organs of authorities of the investee entity, participates in financial and operation policy making of the investee entity, has important transactions with the investee entity, sends management personnel to the investee entity, or provides critical technical information for the investee entity.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**14. Long-term equity investments (Continued)**

When control over the investee entity exists, the investee entity becomes subsidiary of the Group. As to long-term equity investments acquired in business combination under common control, the share of book value of net assets in the ultimate holding party's consolidated statements of the acquiree on the combination date shall be recognized as the initial investment cost of long-term equity investment. Where book value of net assets of the acquiree on the combination date is negative, the long-term equity investment cost is determined as zero.

For long-term equity investment acquired via business combination not under common control, the combination cost is taken as the initial investment cost.

As to equity of the investee entity not under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group will perform accounting treatment by regarding all transactions as a transaction for acquiring control. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity originally held before the acquisition date and calculated by the equity method, relevant other comprehensive income originally figured out by the equity method is temporarily not adjusted and will be subject to accounting treatment when disposing the investment, on the same basis as that adopted by the investee entity for directly handling related assets or liabilities. If the equity held before the acquisition date is calculated by fair value in the available-for-sale financial assets, the accumulated changes in fair value originally included in other comprehensive incomes are transferred into current investment profit or loss on the combination date.

Apart from aforementioned long-term equity investment acquired through business combination, as to long-term equity investment acquired by cash payment, the actually paid amount is taken as investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment invested by investors, the value specified in investment contract or agreement is taken as the investment cost.

The Group uses the cost method to calculate investments in subsidiaries and equity method to calculate investments in associates and joint ventures.

For long-term equity investments subsequently calculated by the cost method, when more investments are added, the book value of the long-term equity investment cost is increased based on the cost paid for additional investments or the fair value and related transaction expenses. Cash dividend or profit declared by the investee entity is recognized as current investment income in accordance with the amount to enjoy.

For long-term equity investments subsequently calculated by the equity method, the book value of long-term equity investment is increased or decreased accordingly with variance of owner's equity of the investee entity. When determining the share of net profit to enjoy in the investee entity, the Group will adjust and recognize the net profits of investee entity based on the fair value of identifiable assets in the investee entity when investments are acquired, as well as its accounting policies and accounting period, by offsetting internal profit and loss incurred in transactions with joint ventures and associates and by calculating the share attributable to the investing enterprise based on the shareholding proportion.

For the disposal of long-term equity investment, the difference between the book value and actually obtained price shall be included in current investment income. For the long-term equity investment calculated by equity method which has been included in the owner's equity due to other changes in owner's equity (excluding the net profit or loss) of the investee entity, when disposed of, the part which has been included in the owner's equity of such investment shall be transferred to current profits and losses according to corresponding proportion.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Investment properties

Investment properties of the Group includes the land use rights which have already been rented, the land use rights held for transfer after appreciation and premises and buildings which have already been rented. The investment properties of the Group are measured at cost.

The investment properties of the Group shall be depreciated or amortized by the cost model. The estimated service life, net residual rate and annual rate of depreciation (amortization) of investment properties are as follows:

Category	Period of Depreciation (Year)	Estimated Residual Rate (%)	Annual Rate of Depreciation (%)
Land use right	40-50	–	2.00-2.50
Premises and buildings	20-45	4-5	2.11-6.00

When investment properties are converted for self-use, such real estate shall be changed into fixed assets or intangible assets since the date of conversion. When properties for self-use are converted for earning rent or capital appreciation, fixed assets or intangible assets shall be changed into investment real estate since the date of conversion. When conversion occurs, book value prior to conversion shall be the entry value after conversion.

If an investment property is disposed of or withdrawn permanently from use and no economic benefit can be obtained from the disposal, the investment real estate shall be derecognized. The disposal income from selling, transferring, discarding or damaging investment real estate shall be deducted by the book value and relevant taxes thereof and then included in current profits and losses.

16. Fixed assets

The fixed assets of the Group feature the following characteristics: tangible assets with a high unit value and held for the sake of producing goods, rendering services, renting or operating management, with a service life in excess of one year.

Fixed assets shall be recognized only when the related economic benefits are likely to flow into the Group and the costs can be measured reliably. Fixed assets consist of premises, buildings, machinery equipment, electronic equipment, transportation equipment, office equipment and others.

Except for the fully depreciated fixed assets that are still in use and the land that is separately valued and recorded, all the fixed assets of the Group shall be depreciated.

The Group draws depreciation for premises, buildings, machinery equipment, transportation equipment and office equipment by straight-line method and separately includes the depreciation in the costs of relevant assets or current expenses according to the purpose. The following table shows period of depreciation, estimated net residual rate, and rate of depreciation for fixed assets of the Group by category:

S/N	Category	Period of Depreciation (Year)	Estimated Residual Rate (%)	Annual Rate of Depreciation (%)
1	Premises and buildings	16-45	3-5	2.11-6.00
2	Machinery equipment	5-20	0-5	4.75-20.00
3	Transportation equipment	5-12	0-5	7.92-20.00
4	Office equipment	3-12	0-5	7.92-33.33

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**16. Fixed assets (Continued)**

In Taishan Fiberglass Inc. (hereinafter referred to as “CTG”), a third-level company of the Group, the main component material of the main production equipment for production of fiberglass is precious metal. CTG carries out regular maintenance according to the wear of the equipment. The wear can be compensated through repair and the using functions can be maintained. Therefore, in daily accounting, the wear amount actually incurred shall be included in production cost. In Sinoma Science & Technology, also a second-level company of the Group, the wind power blade mould is depreciated as per the frequency of usage (400 blades) and other moulds are depreciated as per the service life (3 years). In Sinoma International, also a second-level company, the asset of any contracted energy management project shall be depreciated as per the sharing period. A contracted energy management project refers to business mode in which an energy-saving service contract is signed with any customer willing to perform transformation of energy saving and environmental protection, comprehensive services such as energy efficiency audit, energy-saving project design, equipment procurement, construction, operation & maintenance, and detection of energy saving quantity are provided for the customer, and the energy-saving benefits after implementation of the project is shared with the customer. After the sharing period, ownership of the asset arising from the project shall be transferred from the service party to the service object.

At the end of each year, The Group rechecks the estimated service life, estimated net residual value and depreciation method of the fixed assets. Any change shall be handled as changes in accounting estimates.

For fixed assets acquired by financial lease, the entry value of such assets shall be the fair value of such assets and the present value of the minimum lease payment, whichever is lower. The difference between the entry value and the minimum lease payment shall be deemed as unrecognized financing cost.

The depreciation policies of fixed assets acquired by financial lease shall be consistent with those of self-owned fixed assets. For fixed assets, if it can be reasonably confirmed that the ownership can be granted when the lease term expires, the depreciation shall be drawn within the service life of the acquired leasing assets; otherwise, the depreciation shall be drawn within the lease term or the service life of leasing assets, whichever is shorter.

17. Construction in progress

Construction in progress ready for intended use shall be transferred to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

18. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment properties and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements are acquired or constructed are ready for use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in current profits and losses. If assets eligible for capitalization are suddenly suspended in acquisition or construction or production for more than three months continuously, the capitalization of borrowing costs shall be suspended until the restart of acquisition or construction and production activities of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from unused borrowings deposited in banks or investment income from temporary investment of unused borrowings is deducted. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined based on the weighted average interest rate of the general borrowings.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Intangible assets

The intangible assets of the Group, including the land use rights, mining rights, exploration rights, software, patented technology, non-patented technology, franchise rights, customer contracts and customer resources, are measured based on the actual cost when acquired. Intangible assets are measured at their actual cost when acquired. The actual cost of purchased intangible assets is the actual purchase price and other necessary expenditures on purchase. The actual cost of intangible assets invested by investors is measured at the value specified in the investments contract or agreements. In case the specified value of the contracts or agreements is not fair, the assets are measured at fair value. Intangible assets acquired in business merger under different control, previously held by the acquirer, but not recognized in the financial statements of the acquirer, shall be recognized as intangible assets at the fair value at the initial recognition of assets of the acquirer.

Land use rights shall be amortized from the date of transfer on an average basis for the term of transfer. Software, patented technology, non-patented technology and other intangible assets shall be amortized on an average basis by stages according to the estimated service life, benefit life under contract, and effective period under laws, whichever is the shortest. The amortized amounts shall be included in current profits and losses and relevant asset costs according to beneficiaries.

The estimated service life and the amortization method of intangible assets with limited service life shall be reviewed at the end of each year. Any change shall be handled as changes in accounting estimates. In each accounting period, the Group rechecks the estimated service life and amortization method of intangible assets with uncertain service life.

Research and development expenditures of the Group are classified into expenditures in research stage and development stage depending on the nature and whether there is material uncertainty that the research and development activities can form intangible assets at the end. The expenditures in research stage shall be included in current profits and losses when incurred. The expenditures in development stage shall be recognized as intangible assets when meeting the following conditions:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) There is an intention to complete the intangible asset and use or sell it;
- (3) There exists market for products produced by using the intangible assets or market of the intangible assets;
- (4) Adequate technical, financial and other resources are available to complete the development of the intangible assets, and it is able to use or sell the intangible assets; and
- (5) The expenditures attributable to the intangible assets during the development can be reliably measured.

The expenditures in development stage which do not meet the above conditions shall be included in current profits and losses when incurred. Development expenditures included in profits or losses before will not be recognized as assets in subsequent period. The capitalized expenditures in development stage shall be listed in the balance sheet as development expenditures and transferred into intangible assets when the R&D project is ready for intended use.

20. Impairment of long-term assets

On each balance sheet date, the Group shall check the long-term equity investment, investment properties measured by cost model, fixed assets, construction in progress, intangible assets with limited service life, and other items. In case of any indication of impairment, the Group shall carry out an impairment test. Impairment tests shall be conducted on goodwill and intangible assets with uncertain service life at the end of each year, whether there is any indication of impairment.

If the impairment test shows that the book value of the asset is greater than its recoverable value, the difference between the two shall be recognized as impairment loss. Such impairment loss, once recognized, shall not be reversed in subsequent accounting period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**21. Long-term prepayments**

Long-term prepayments of the Group include project agency fee, compensation fee, construction cost, quarry site stripping fee and house decoration cost. Such expenses shall be evenly amortized in the benefit period. If the long-term prepayments cannot benefit the future accounting period, the amortized value of unamortized items shall be all transferred to current profits and losses.

22. Employee benefits

Employee benefits include short-term employee remunerations, post-employment benefits, termination benefits and other long-term welfare.

- (1) Short-term remunerations mainly include salaries, bonuses, allowances & subsidiaries, employee welfare, social insurance premiums, housing funds, labor union expenditures and personnel education fund. During the accounting period when the employees provide services for the Group, the actual short-term remunerations are recognized as liabilities, and included in current profits or losses or relevant asset cost based on different beneficiaries.
- (2) Post-employment benefits include basic endowment insurance, unemployment insurance, enterprise annuity and supplementary welfares provided by the Group for the retired employees and is classified as defined contribution plan and defined benefit plan depending on the risk and obligation the Company bears.

As for the defined contribution plan, the contributions which are made for individual subjects in exchange for the employees' services rendered in the accounting period shall be recognized as liabilities on the balance sheet date and included in current profits and losses or relevant asset costs according to the beneficiaries. The defined contribution plan of the Group is mainly purposed for payment of endowment insurance premiums, unemployment insurance premiums, etc. for the employees.

As for the defined benefit plan, the Group shall use an actuarial assumption that is unbiased and mutually compatible to make a reliable estimate of the variables on population and finance according to the projected accumulated benefit unit method, measure obligations generated by defined benefit plan and determine the period to which relevant obligations belong. The deficit or surplus formed by the present value of obligations under defined benefit plan minus the fair value of assets under defined benefit plan shall be recognized as a net liability or a net asset under defined benefit plan. In case that the defined benefit plan has surplus, the Group measures the net asset under defined benefit plan as per the surplus under defined benefit plan and the upper asset limit, whichever is lower.

The Group shall discount the obligations under the defined benefit plan, including the obligation to pay within 12 months after the annual report period when the employees provide services. The discount shall be made on the balance sheet date based on the market return on the national bonds matching with the obligations under the defined benefit plan in terms of the term and currency or based on the high-quality corporation bonds in the active market.

The service cost arising from the defined benefit plan and the net amount of interest of the net liability or net asset of the defined benefit plan shall be included in current profits and losses or relevant asset cost; the changes arising from re-measurement of the net liability or net asset of the defined benefit plan shall be included in other comprehensive incomes and shall never be reversed back to profits or losses in subsequent accounting periods. For settlement of the defined benefit plan, the settlement gain or loss shall be recognized as per the difference between the present value of the defined benefit plan obligation and the settlement price determined on the date of settlement.

- (3) Termination benefits are compensation paid to employees for either the enterprise's decision to terminate the employment relationship before the expiration of employment contract or encouragement to an employee for voluntary acceptance of dismissal.
- (4) Other long-term benefits mean the all employee welfares excluding short-term remunerations, post-employment benefits and termination benefits.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Provisions

Where the business related to contingencies including external security, discount of commercial acceptance bills, pending litigation or arbitration and product quality assurance meets the following conditions simultaneously, the Group will recognize it as liabilities: such obligation is a current obligation of the Group; performance of the obligation will probably cause outflow of economic benefits from the enterprise; and the amount for such obligation can be calculated reliably.

Provisions are initially measured at the best estimate required to be paid when performing relevant current obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. Where the time value of money is of great influence, the best estimate is recognized through the discount of relevant future cash outflows. On the balance sheet date, the book value of the provisions shall be reviewed and adjusted (if any change) to reflect current best estimate.

24. Revenue recognition principles and measuring methods

The operating revenue of the Group mainly include revenue from construction contracts, sales of goods, contracted energy management projects, rendering services and abalienation of the right to use assets and the revenue recognition conditions are specified as follows:

- (1) The Group shall recognize contract revenue and costs by using the percentage of completion method on the balance sheet date when the following conditions are met: total contract revenue can be measured reliability; economic benefits related to the contract may flow to the Group; the actually incurred contract costs can be distinguished clearly and measured reliability; the contract completion progress and costs to occur for completion of the contract can be determined reliably. If the percentage of completion method is adopted, the contract completion progress shall be identified based on the proportion of actually incurred contract cost in estimated total contract cost.

If the outcome of construction contract cannot be estimated reliably but the contract cost is recoverable, the contract revenue shall be recognized according to the actual contract cost that is recoverable. The contract cost is recognized as the contract expense when incurred. When the contract cost is unrecoverable, it is recognized immediately as the contract expense when incurred, and the contract revenue shall not be recognized.

- (2) Recognition principle for sales revenue: the revenue from goods sales is recognized under the following conditions: major risks and rewards concerning the ownership of goods have been transferred to the buyer; neither continuous management right usually related to the ownership is retained nor effective control over sold goods is effected; the amount of the revenue can be measured reliably; relevant economic benefits may flow to the enterprise; and relevant costs incurred or to be incurred can be measured reliably.
- (3) After the energy-saving acceptance of the contracted energy management project of the Group, the Group and the service parties recognize the energy saving quantity and amount in the current period on a monthly or quarterly basis and recognize the revenue within the sharing period based on the sharing proportion specified in the agreement.
- (4) When total service revenue and total costs of the Group can be measured reliably, economic benefits related to services may flow to the Group and completion schedule of services can be identified clearly, the Group can recognize the service revenue. On the balance sheet date, if the outcome of service transactions performed can be estimated reliably, the service revenue concerning it shall be recognized according to the percentage of completion method and the percentage of completion shall be determined based on the proportion of incurred costs in estimated total costs; if the outcome of service transactions performed cannot be estimated reliably but the service costs incurred can be compensated, the service revenue shall be recognized according to the incurred service costs that can be compensated and relevant service costs shall be carried forward; if the outcome of service transactions performed cannot be estimated reliably and the incurred service costs cannot be compensated in full, the incurred service costs shall be included in current profits and losses and the service revenue shall not be recognized.
- (5) When economic benefits related to transactions may flow to the Group and revenue can be measured reliably, the revenue related to abalienating the right to use assets shall be recognized.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**25. Government grants**

Government grants refer to monetary or non-monetary assets acquired by the Group from the government for free. The government grants shall be recognized when all the attached conditions can be satisfied and the government grants can be received by the Group.

Government grants in the form of monetary assets shall be measured based on the actually received amounts; grants allocated according to fixed quota standards shall be measured based on the receivable amounts; government grants in the form of non-monetary assets shall be measured based on the fair value; where the fair value cannot be estimated reliably, it shall be measured based on nominal amount (RMB1).

Government grants of the Group are divided into asset-related government grants and revenue-related government grants. The asset-related government grants refer to those obtained by the Group and used for the acquisition or construction of long-term assets or obtainment of such assets by other forms. The revenue-related government grants refer to those other than the asset-related government grants. If no assistance object is specified in the government documents, the Group shall determine based on the above principles.

Asset-related government grants shall be recognized as deferred revenues, and shall be distributed equally within the service life of related assets and included in current profits and losses. Revenue-related government grants used to compensate for related costs or losses during future periods shall be recognized as deferred income, and it shall be included in current profits and losses during the period when it is recognized; those used to compensate for the incurred related costs or losses shall be included in current profits and losses directly.

26. Deferred income tax assets and liabilities

Deferred income tax assets and deferred income tax liabilities of the Group shall be recognized by calculating the difference (temporary difference) between the tax base and book value thereof. For the deductible loss of taxable income that can be deducted in the future years as specified by tax laws, corresponding deferred income tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred income tax liabilities shall not be recognized. For the temporary difference with respect to initial recognition of assets or liabilities incurred in transaction which is not business merger and the occurrence of which has no impact on the accounting profits and the taxable incomes (or deductible losses), relevant deferred income tax assets and liabilities shall not be recognized. Deferred income tax assets and liabilities shall be measured at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities on the balance sheet date.

The deferred income tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting deductible temporary difference, deductible loss, and tax deduction by the Group.

27. Lease

Lease can be divided by the Group into finance lease and operating lease at the commencement of lease.

At the commencement of the lease term, as the Lessee for finance lease, the Group shall deem the lower of the fair value of the leased asset and the present value of the minimum lease payments as the entry value of fixed assets acquired by finance lease and the minimum lease payment as the entry value of long-term payable. The difference between two entry values is deemed as unrecognized financing cost.

As the Lessee of operating lease, the Group shall include the lease payment in relevant asset costs or current profits and losses by using the straight-line method within each period of the lease term. While as the Lessor, the Group shall recognize the lease payment as incomes by using the straight-line method within each period of the lease term.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. About significant accounting estimates

During the preparation of financial statements, according to previous experiences and other factors, including reasonable prediction on future event, the Group's management personnel need to perform some estimations and assumptions, which may have an impact on the application of accounting policies and the amount of assets, liabilities, revenues and expenses. The actual conditions may be different from these estimations. The Group's management personnel shall perform continuous evaluation on judgment of critical assumptions and uncertainties related to estimations. The impact of accounting estimate changes shall be confirmed in current change period and during the future period.

(1) Impairment of receivables

Based on the current market conditions, the Group made an estimation on the aging of accounts receivable, financial situation of customers, and the historical experiences of guarantees (if any) provided by customers. The Group has conducted reassessment regularly to find whether the bad-debt provision for accounts receivable is sufficient. If all assumptions and estimation in the process of reviewing have changed, the change will affect bad-debt provision of accounts receivable in the changing process of assumptions.

(2) Impairment provision for inventories

The Group shall estimate the net realizable value of inventory regularly and confirm the loss on inventory valuation according to the difference between inventory cost and net realizable value.

The Group can estimate the net realizable value of inventory of raw materials, products and goods based on the amount obtained after the estimated selling price of similar goods is deducted by the costs, selling expenses and relevant taxes to be paid during completion. When the actual selling price or costs are different from the estimated ones, the management personnel shall perform corresponding adjustment on net realizable value. Therefore, the estimated results based on existing experience may be different from later actual results, and the book value of inventory in the balance sheet shall be adjusted. The amount for provision for decline in inventory may vary with the above-mentioned causes. The adjustment of inventory falling price reserves will affect the profits and losses within the estimated current period of change.

(3) Provision for impairment of long-term assets

When the Group carries out an impairment test on goodwill, fixed assets, intangible assets and other long-term assets, it shall calculate the recoverable amount of the portfolio of asset groups, asset group or assets (hereinafter collectively referred to as assets), and the present value of the assets' expected future cash flow shall be calculated using basic assumptions and the accounting estimation. When estimating the present value of assets' expected future cash flow, it mainly involves in estimates of assets' expected future cash flow, service life and discount rate. Therefore, the estimated results based on existing experience may be different from later actual results, and this difference may affect the profits and losses of current period of change.

(4) Estimates of deferred income tax assets

For the estimation on deferred tax assets, it is necessary to estimate on the taxable incomes and applicable tax rates in each future year. The achievement of deferred tax assets depends on whether the Company will obtain enough taxable incomes in the future or not. The withdrawing time of temporary difference and the change of future tax rate may also affect the income tax expense (revenue) and the balance of deferred income taxes. The change of above-mentioned estimation may affect the deferred income tax expenses of the changing period.

(5) Estimates of construction contract

During the execution of the construction contract, the management of the Group will regularly review the expected contract revenue, expected contract cost, completion progress and cost incurred by the change in the contract. If there is a situation that may result in a change in the contract revenue, contract cost or completion progress, it will affect the expected contract revenue and the corresponding expected contract cost, which will be reflected in the income statement of current period of change.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**28. About significant accounting estimates (Continued)****(6) Taxes**

The Group is required to pay various taxes for its business. However, in normal operating activities, many transactions and events are subject to uncertainty in the final tax treatment. Therefore, it is required to make an estimate of tax provision. This estimate may differ from the final tax settlement. If there is a difference between finally recognized outcome for these taxes and initially received amount, it will have an impact on the above-mentioned taxes drawn in the final recognition period.

29. Change in significant accounting policies and accounting estimates**(1) Change in significant accounting policies**

No change in significant accounting policies happens to the Group during the Reporting Period.

(2) Changes in significant accounting estimates

No change in significant accounting estimates happens to the Group during the Reporting Period.

V. TAXES**1. Main taxes and tax rates**

Category	Tax Basis	Statutory Rate
Value-added tax (VAT)	Income from goods sales	3%, 5%, 6%, 7%, 11%, 13%, 17%, 19% (overseas)
Business tax	Taxable income of the business tax before replacing the business tax with value-added tax	3%, 5%
City maintenance and construction tax	Taxable amount of turnover tax	1%, 5%, 7%
Educational surcharge	Taxable amount of turnover tax	2%, 3%
Mineral resources taxes	The amount of limestone and the like consumed in production	RMB0.5-1/ton, RMB2/ton, RMB3/ton
	Limestone sales (implemented as of 1 July 2016)	1%-6%
Housing property tax	70% or 75% of the rental income and original house property value	12%, 1.2%
Land use tax	Land area	RMB8/m ² , RMB14/m ²
Corporate income tax in China	Taxable income	25%
Income tax in Germany	Taxable income	15.50%, 28%, 30.89%
Profit tax in Hong Kong	Taxable income	16.50%
Income tax in Malaysia	Taxable income	24%
Income tax in India	Taxable income	32.45%
State income tax in North America	Taxable income	8.84%
Federal income tax in North America	The total amount of taxable profits is paid on a seven-grade progressive basis	Maximum tax rate of 35%

Note 1: According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax (CS [2016] No. 36) issued by the Ministry of Finance and the State Administration of Taxation on March 24, 2016, since May 1, 2016, the pilot program of replacing business tax with value-added tax has been fully implemented throughout the country and the Group has paid the value-added tax for the design service revenue and project installation and construction revenue.

Note 2: Overseas tax rates are mainly those applicable to overseas subsidiaries of the Group.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

V. TAXES (Continued)

2. Tax preference

(1) Corporate income tax

- 1) According to relevant regulations of the Measures for the Administration of the Recognition of Hi-tech Enterprises (GKFH [2008] No. 172) and the Guidelines for the Administration and the Recognition of Hi-tech Enterprises (GKFH [2008] No. 362), some subsidiaries of the Group shall enjoy the following preferential policies:

Name	Level	Preferential Policy
Sinoma International Engineering Co., Ltd.	Second-level	
Xiamen ISO Standard Sand Co., Ltd.	Second-level	
Sinoma Science & Technology Co., Ltd.	Second-level	
Sinoma Advanced Materials Co., Ltd.	Second-level	
Sinoma Jinjing Fiber Glass Co., Ltd.	Second-level	
Sinoma Technology & Equipment Group Co., Ltd.	Third-level	
CBMI Construction Co., Ltd.	Third-level	
Chengdu Design & Research Institute of Building Materials Industry Co., Ltd.	Third-level	
Sinoma (Suzhou) Construction Co., Ltd.	Third-level	
Tianjin Cement Industry Design & Research Institute Co., Ltd.	Third-level	
Sinoma International Environmental Engineering (Beijing) Co., Ltd.	Third-level	
Anhui Jieyuan Environmental Protection Technology Co., Ltd.	Third-level	
Beijing Composite Materials Co., Ltd.	Third-level	
Sinoma Science & Technology (Suzhou) Co., Ltd.	Third-level	
Suzhou Sinoma Design & Research Institute of Non-metallic Minerals Industry Co., Ltd.	Third-level	
Sinoma Science & Technology (Chengdu) Co., Ltd.	Third-level	The preferential income tax rate of 15% shall be implemented in 2016.
Sinoma Wind Power Blade Co., Ltd.	Third-level	
Taishan Fiberglass Inc.	Third-level	
Shandong Industrial Ceramics Research & Design Institute Co., Ltd.	Third-level	
Beijing Sinoma Synthetic Crystals Co., Ltd.	Third-level	
Sinoma Hi-tech Chengdu Energy Technology Co., Ltd.	Third-level	
Sinoma Jiangxi Porcelain Electric Co., Ltd.	Third-level	
Jiangxi Sinoma New Solar Materials Co., Ltd.	Third-level	
Sinoma (Tianjin) Powder Technology Machinery Co., Ltd.	Fourth-level	
Sinoma (Tianjin) Control Engineering Co., Ltd.	Fourth-level	
Xuzhou Sinoma Equipment Heavy Machinery Co., Ltd.	Fourth-level	
Sinoma Changshu Heavy Machinery Co., Ltd.	Fourth-level	
Sinoma-Liyang Heavy Machinery Co., Ltd.	Fourth-level	
Sinoma (Henan) Environmental Protection Co., Ltd.	Fourth-level	
Sinoma-Tangshan Heavy Machinery Co., Ltd.	Fourth-level	
Sinoma Wind Power Blade (Jiuquan) Co., Ltd.	Fourth-level	
Sinoma Wind Power Blade (Pingxiang) Co., Ltd.	Fourth-level	
Sinoma Wind Power Blade (Funing) Co., Ltd.	Fourth-level	
Taishan Fiberglass Zoucheng Co., Ltd.	Fourth-level	

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

V. TAXES (Continued)

2. Tax preference (Continued)

(1) Corporate income tax (Continued)

- 2) Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Preferential Tax Policy Issues Concerning the Development of Western China (CS [2001] No. 202), the preferential income tax rate of 15% enjoyed by Tianshan Cement (a second-level company of the Group) and some of its subsidiaries, Ningxia Building Materials (a second-level company of the Group) and some of its subsidiaries, some subsidiaries of Sinoma Cement Co., Ltd. (hereinafter referred to as "Sinoma Cement") and Qilianshan Holdings and some of its subsidiaries were due in 2010.

On 27 July 2011, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation jointly issued the Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy (CS [2011] No. 58). Pursuant to this notice, from 1 January 2011 to 31 December 2020, the corporate income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. According to No. 12 (2012) announcement of the State Administration of Taxation, i.e. Announcement on Issues Concerning Corporate Income Tax during Further Implementation of the Western China Development Strategy, before the release of the Catalogue of Industries Encouraged to Development in the Western Region, the corporate income tax of enterprises within the scope of the Catalogue for Guiding Industry Restructuring (Version 2005), the Catalogue for Guiding Industry Restructuring (Version 2011), the Catalogue for the Guidance of Foreign Investment Industries (Amended in 2007) and the Catalogue of Advantageous Industries in the Middle and Western Regions (Amended in 2008) can be paid at 15%. After the release of the Catalogue of Industries Encouraged to Development in the Western Region, for an enterprise taking industrial items specified in the catalogue as the main business and performing final settlement of corporate income tax at the rate of 15%, if its main operating revenue in the current year accounts for less than 70% of its total income, the tax can be recalculated and declared at applicable rate according to the tax law after completion of relevant procedures.

According to the Catalogue of Industries Encouraged to Development in the Western Region released in No. 15 Order of the National Development and Reform Commission on 20 August 2014, for Tianshan Cement (a second-level company of the Group) and some of its subsidiaries, some subsidiaries of Sinoma Cement (a second-level company of the Group), some subsidiaries of Ningxia Building Materials (a second-level company of the Group) and some subsidiaries of Qilianshan Holdings (a second-level company of the Group) which enjoyed the above-mentioned preferential tax policy for the Western China Development Strategy before, excluding Aksu Tianshan Duolang Cement Co., Ltd. (A third-level company of the Group), Xinjiang Tunhe Cement Co., Ltd., and Burqin Tianshan Cement Co., Ltd. (a fourth-level company of the Group), for which the income tax preference registration is still in process, have been confirmed by competent tax authorities in 2016 that their corporate income tax shall still be calculated and paid at the preferential rate of 15% in 2016.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

V. TAXES (Continued)

2. Tax preference (Continued)

(1) Corporate income tax (Continued)

2) (Continued)

See the table below for details:

Name	Level	Preferential Policy
Xinjiang Hejing Tianshan Cement Co., Ltd.	Third-level	
Aksu Tianshan Duolang Cement Co., Ltd.	Third-level	
Xinjiang Tianshan Juxin Commercial Cement Co., Ltd.	Third-level	
Xinjiang Fukang Tianshan Cement Co., Ltd.	Third-level	
Turpan Tianshan Cement Co., Ltd.	Third-level	
Xinjiang Tunhe Cement Co., Ltd.	Third-level	
Xinjiang Midong Tianshan Cement Co., Ltd.	Third-level	
Ruoqiang Tianshan Cement Co., Ltd.	Third-level	
Ningxia Saima Cement Co., Ltd.	Third-level	
Ningxia Qingtongxia Cement Co., Ltd.	Third-level	
Ningxia Zhongning Saima Cement Co., Ltd.	Third-level	
Ningxia Shizuishan Saima Cement Co., Ltd.	Third-level	
Guyuan Liupanshan Cement Co., Ltd.	Third-level	
Sinoma (Tianshui) Cement Co., Ltd.	Third-level	
Sinoma (Gansu) Cement Co., Ltd.	Third-level	
Sinoma (Hanjiang) Cement Co., Ltd.	Third-level	
Burqin Tianshan Cement Co., Ltd.	Fourth-level	
Shawan Tianshan Cement Co., Ltd.	Fourth-level	
Qitai Tianshan Cement Co., Ltd.	Fourth-level	
Yongdeng Qilianshan Cement Co., Ltd.	Fourth-level	
Gangu Qilianshan Cement Co., Ltd.	Fourth-level	
Pingliang Qilianshan Cement Co., Ltd.	Fourth-level	
Chengxian Qilianshan Cement Co., Ltd.	Fourth-level	
Zhangxian Qilianshan Cement Co., Ltd.	Fourth-level	
Gulang Qilianshan Cement Co., Ltd.	Fourth-level	
Xiahe Qilianshan Anduo Cement Co., Ltd.	Fourth-level	
Qinghai Qilianshan Cement Co., Ltd.	Fourth-level	
Gansu Zhangye Julong Building Material Co., Ltd.	Fourth-level	
Longnan Qilianshan Cement Co., Ltd.	Fourth-level	
Wenxian Qilianshan Cement Co., Ltd.	Fourth-level	
Jiugang (Group) Hongda Building Materials Co., Ltd.	Fourth-level	
Minhe Qilianshan Cement Co., Ltd.	Fifth-level	

The preferential income tax rate of 15% shall be implemented in 2016.

- 3) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Value-added Tax, Business Tax and Enterprise Income Tax Policies for Promoting the Development of Energy Services Sector (CS [2010] No. 110), if any contracted energy management project of Anhui Jieyuan Environmental Protection Technology Co., Ltd. (hereinafter referred to as "Anhui Jieyuan"), which is a third-level company of the Group, complies with regulations of the Enterprise Income Tax Law, since the tax year of the receiving of the first production and operating income, the company will enjoy corporate income tax exemption from the first year to the third year and pay corporate income tax at half of the statutory tax rate of 25% from the fourth year to the sixth year.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

V. TAXES (Continued)

2. Tax preference (Continued)

(1) Corporate income tax (Continued)

- 4) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang (CS [2011] No. 53) and the Policy for Issues Concerning Implementation of Preferential Income Tax Policy of "2-year Exemption and 3-year Half Payment" of the Central Government for Newly-established Enterprises in Poverty Areas of Xinjiang (XCSF [2011] No. 51), in addition to third-level companies of the Group including Yecheng Tianshan Cement Co., Ltd., Kashgar Tianshan Cement Co., Ltd., Hami Tianshan Cement Co., Ltd., Luopu Tianshan Cement Co., Ltd. and Kezhou Tianshan Cement Co., Ltd., fourth-level companies of the Group including Kumul Tianshan Commercial Concrete Co., Ltd., Yili Tianshan Concrete Co., Ltd., Fukang Tianshan Zhuyou Concrete Co., Ltd., Yili Tianshan Concrete Co., Ltd. and Huocheng Tianshan Concrete Co., Ltd. can enjoy the preferential corporate income tax policy of "2-year exemption and 3-year half payment". Except for Yili Tianshan Cement Co., Ltd., (other companies are exempt from the local portion of corporate income tax from the third year to fifth year of enjoying the preferential corporate income tax policy of "2-year exemption and 3-year half payment"). According to the Opinion of the State Administration of Taxation of Xinjiang Uyghur Autonomous Region and the Local Taxation Bureau of Xinjiang Uyghur Autonomous Region on Implementation of Tax Policies of the Autonomous Region for Promoting Development of SMEs (XGSF [2011] No. 177) and the Opinion on Implementation for Promoting Development of SMEs (XZF [2010] No. 92), fourth-level companies of the Group including Yili Tianshan Cement Co., Ltd., Shawan Tianshan Concrete Co., Ltd. and Xinjiang Changji Concrete Co., Ltd. can enjoy the local income tax preference of "2-year exemption and 3-year half payment" for enterprises in the autonomous region.
- 5) According to the Notice on Issues Concerning the Implementation of Catalogue for Enterprise Income Tax Preferences for Special Equipment for Environmental Protection, Catalogue for Enterprise Income Tax Preferences for Special Equipment for Water and Energy Conservation, and Catalogue for Enterprise Income Tax Preferences for Special Equipment for Production Safety (CS [2008] No. 48) issued by the Ministry of Finance and the State Administration of Taxation, Notice on Publishing the Catalogue for Enterprise Income Tax Preferences for Special Equipment for Environmental Protection (Version 2008) and Catalogue for Enterprise Income Tax Preferences for Special Equipment for Water and Energy Conservation (Version 2008) (CS [2008] No. 115) issued by Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, Notice on Publishing the Catalogue for Enterprise Income Tax Preferences for Special Equipment for Safety Production (Version 2008) (CS [2008] No. 118) issued by Ministry of Finance, State Administration of Taxation and State Administration of Work Safety, third-level companies of the Group including Kashgar Tianshan Cement Co., Ltd., Yecheng Tianshan Cement Co., Ltd., Luopu Tianshan Cement Co., Ltd. and Xinjiang Fukang Tianshan Cement Co., Ltd. can enjoy the preferential policies for the amount of income tax credits of special equipment.
- 6) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Preferential Policies of Enterprise Income Tax Applicable to Small Meager-profit Enterprises (CS [2014] No. 34), Xing'an Meng Taixin Mining Co., Ltd., a fifth-level company of the Group, meets the conditions of small meager-profit enterprises and enjoys the preferential tax rate of 20%.
- 7) Main business of Golmud Sinoma New Energy Power Co., Ltd., a fifth-level company of the Group, belongs to the public infrastructure projects supported by the state specified in the Enterprise Income Tax Law; since the tax year of the receiving of the first production and operating income, the corporate income tax may be exempted from the first year to the third year and deducted by half from the fourth year to the sixth year. After being filed by the Golmud Municipal Office, SAT, the company will pay Corporate income tax at half of the statutory tax rate in 2016.

(2) VAT

- 1) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Value-added Tax, Business Tax and Enterprise Income Tax Policies for Promoting the Development of the Energy Services Sector (CS [2010] No. 110), any VAT taxable goods in the eligible contracted energy management project of Anhui Jieyuan (a third-level company of the Group) to the energy-consumption enterprises shall be exempt from VAT temporarily.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

V. TAXES (Continued)

2. Tax preference (Continued)

(2) VAT (Continued)

- 2) According to the Notice of the Ministry of Finance and the State Administration of Taxation Issuing the Catalogue of Value-Added Tax Preferences for Products and Services Involving the Comprehensive Utilization of Resources (CS [2015] No. 78), more than 20% of 42.5 and above grade cement raw materials come from the waste residue, more than 40% of other cement, cement clinker raw materials come from the waste residue; as approved by the competent tax authority, part of cement products produced by Tianshan Cement (second-level company of the Group) and some of its subsidiaries shall be subject to the preferential policy of refunding 70% immediately after payment of VAT.
- 3) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Policies Regarding the Value-added Tax on Products Made through Comprehensive Utilization of Resources and Other Products (CS [2008] No. 156), Notice of the Ministry of Finance and the State Administration of Taxation on Policies Regarding the Value-added Tax on Products Made through Comprehensive Utilization of Resources and Other Products (CS [2009] No. 163) and Catalogue of Value-added Tax Preferences for Products and Services Involving the Comprehensive Utilization of Resources (CS [2015] No. 78), as approved by the tax bureau, P.O42.5, P.O42.5R ordinary Portland cement and P.C32.5R, P.C42.5, P.C42.5R composite Portland cement produced by third-level companies of the Group including Ningxia Saima Cement Co., Ltd., Ningxia Qingtongxia Cement Co., Ltd., Ningxia Zhongning Saima Cement Co., Ltd., Guyuan Liupanshan Cement Co., Ltd., Ningxia Shizuishan Saima Cement Co., Ltd., Sinoma (Gansu) Cement Co., Ltd. and Sinoma (Tianshui) Cement Co., Ltd. shall comply with the provisions and shall be subject to the preferential policy of “refund immediately after payment” of value-added tax.
- 4) According to the Notice on the Low VAT Rate Applicable to Certain Goods and the Policy of Levying VAT with Simple Measures (CS [2009] No. 9) and Notice on the Policy of Simplifying and Merging the Levying Rate of VAT (CS [2014] No. 57), from 1 July 2014, for the sales of commercial concrete of fourth-level companies of the Group including Tianshui Huajian Concrete Engineering Co., Ltd., Ningxia Zhongning Saima Concrete Co., Ltd., Ningxia Qingtongxia Saima Concrete Co., Ltd., Kalaqin Saima Concrete Co., Ltd., Ningxia Golden Great Wall Concrete Co., Ltd. and Ningxia Yuhao Concrete Industry Co., Ltd., the VAT shall be calculated and paid at the levying rate of 3% according to a simplified method; From 1 July 2015, the originally shared preferential policy of VAT exemption of products featuring comprehensive utilization of resources is adjusted as follows: the VAT shall be calculated and paid at the levying rate of 3% according to a simplified method.
- 5) According to the Notice of Department of Finance of Ningxia Hui Autonomous Region, the State Taxation Bureau of Ningxia Hui Autonomous Region and the Local Taxation Bureau of Ningxia Hui Autonomous Region on the Exemption of Government Funds for Small and Micro Enterprises (NC(Z)F [2013] No. 275), fourth-level companies of the Group including Ningxia Junsheng Property Services Co., Ltd. and Ningxia Qingtongxia Qingyuan Property Service Co., Ltd. shall be exempt from two government funds including local educational surcharges of small and micro enterprises and water conservancy construction fund since 1 May 2013. According to the Notice of the People’s Government of Inner Mongolia Autonomous Region Issuing the Regulations (Trial) on Encouraging and Supporting the Acceleration and Development of Non-public Economy (Trial) in the Autonomous Region (NZF [2013] No. 61), Wuhai Saima Cement Co., Ltd., a third-level company of the Group, is exempt from the local educational surcharges of enterprises and water conservancy construction fund since 1 July 2013.
- 6) According to the documents (CS[2004] No. 152), partial products produced by Sinoma Science & Technology (a second-level company of the Group) and Beijing Composite Materials Co., Ltd. (third-level) shall be subject to VAT exemption since 1 January 2003.
- 7) According to the document (CS [2011] No. 111), Sinoma Science & Technology, a second-level company of the Group, shall be exempt from VAT in terms of technical transfer, technical development and relevant technical consultation and technical service contracts which are recognized by the technology exchange market, upon approval by the competent tax authority.

3. Others

For details of significant tax matters occurred in the Group in current year, please refer to Note XII (I) and Note XV 5.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise stated, among the following disclosed data in the financial statements, “beginning” refers to 1 January 2016; “ending” refers to 31 December 2016; “current year” refers to the period from 1 January to 31 December 2016; “previous year” refers to the period from 1 January to 31 December 2015; and the monetary unit is RMB.

1. Monetary funds

Item	As at 31/12/2016	As at 31/12/2015
Cash	92,282,751.07	72,145,145.46
Cash in bank	15,385,509,668.46	12,850,031,909.55
Other monetary funds	2,460,606,757.91	2,137,331,408.85
Total	17,938,399,177.44	15,059,508,463.86
Including: total amount deposited abroad	1,175,396,124.34	960,836,622.87

Note: At the end of the year, total monetary funds of the Group with limited use were RMB2,434,949,354.69, including RMB587,293,116.36 of bond deposit, RMB224,706,747.04 of L/C deposit, RMB1,213,164,966.40 of acceptance bill deposit, RMB60,443,915.43 of performance deposit, RMB51,419,972.71 of mine environmental restoration and treatment deposit, RMB5,060,718.91 of margin for mining work safety risk, RMB280,000,000.00 of restricted certificate of deposit, and RMB12,509,917.84 of others. The corresponding monetary funds at the beginning of the year were RMB2,108,231,476.75.

2. Financial assets at fair value through profit or loss

Item	As at 31/12/2016	As at 31/12/2015
Trading financial assets	5,302,903.32	18,417,367.12
Including: open-end monetary funds	5,302,903.32	15,561,367.12
Forward foreign exchange contracts	–	2,856,000.00
Total	5,302,903.32	18,417,367.12

3. Bills receivable**(1) Category of bills receivable**

Item	As at 31/12/2016	As at 31/12/2015
Bank acceptance bills	4,718,320,516.28	3,933,250,100.23
Commercial acceptance bills	501,755,207.00	208,052,137.06
Total	5,220,075,723.28	4,141,302,237.29

(2) Bills receivable which have been pledged at the end of the year

Item	Pledged amount as at 31/12/2016
Bank acceptance bills	580,062,476.24
Total	580,062,476.24

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Bills receivable (Continued)

(3) *Bills receivable at the end of the year which have been endorsed or discounted but not yet expired on the balance sheet date*

Item	Derecognized amount as at 31/12/2016	Non-derecognized amount as at 31/12/2016
Bank acceptance bills	7,116,537,898.19	–
Commercial acceptance bills	108,734,376.54	44,103,626.23
Total	7,225,272,274.73	44,103,626.23

(4) *The account age of notes receivable held by the Group at the end of the year was within 6 months.*

4. Accounts receivable

(1) *Accounts receivable listed by age*

Aging analysis of accounts receivable presented based on the invoice date is as follows:

	As at 31/12/2016	As at 31/12/2015
Within 1 year	6,187,797,598.24	7,129,111,208.59
1-2 years	1,779,607,064.31	1,862,071,547.09
2-3 years	763,149,753.46	778,174,375.51
3-4 years	496,946,234.90	1,061,290,218.73
4-5 years	965,041,840.25	127,287,656.54
Over 5 years	524,188,492.58	509,288,803.56
Total original value	10,716,730,983.74	11,467,223,810.02
Less: provision for bad debt of accounts receivable	2,456,059,522.86	2,217,420,739.30
Total accounts receivable	8,260,671,460.88	9,249,803,070.72

(2) *Classification of accounts receivable*

Category	As at 31/12/2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables that are individually significant provided for bad debts on individual basis	857,602,686.12	8.00	729,983,223.29	85.12	127,619,462.83
Account age portfolio	9,781,808,514.96	91.28	1,651,149,535.73	16.88	8,130,658,979.23
Receivables that are individually insignificant provided for bad debts on individual basis	77,319,782.66	0.72	74,926,763.84	96.91	2,393,018.82
Total	10,716,730,983.74	100.00	2,456,059,522.86	–	8,260,671,460.88

Category	As at 31/12/2015				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables that are individually significant provided for bad debts on individual basis	865,581,338.35	7.55	717,862,145.33	82.93	147,719,193.02
Account age portfolio	10,531,364,539.54	91.84	1,440,963,000.75	13.68	9,090,401,538.79
Receivables that are individually insignificant provided for bad debts on individual basis	70,277,932.13	0.61	58,595,593.22	83.38	11,682,338.91
Total	11,467,223,810.02	100.00	2,217,420,739.30	–	9,249,803,070.72

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Classification of accounts receivable (Continued)

- 1) Receivables that are individually significant provided for bad debts on individual basis at the end of the year

Name	As at 31/12/2016			Reason for provision
	Accounts receivable	Bad debt provision	Provision proportion (%)	
Shanghai Baotou Material Co., Ltd.	158,788,049.58	108,686,389.73	68.45	
Shanghai Beilaide Trading Co., Ltd.	94,924,075.12	94,924,075.12	100.00	
Shanghai Kaixian Industrial Co., Ltd.	73,298,827.66	73,298,827.66	100.00	
Shanghai Hongyu Metallic Material Co., Ltd.	69,685,185.27	69,685,185.27	100.00	
Shanghai Huaji Steel Materials Co., Ltd.	41,052,357.19	41,052,357.19	100.00	
Shanghai Zhongqi Trading Co., Ltd.	39,427,876.95	39,427,876.95	100.00	
Hunan Chaoyue Trading Co., Ltd.	32,553,474.78	32,553,474.78	100.00	
Tianjin Shaxiang Group Co., Ltd.	30,001,797.78	30,001,797.78	100.00	
Shanghai Zhongmin Trading Co., Ltd.	25,670,412.78	25,670,412.78	100.00	
Shanghai Buchao Trading Co., Ltd.	24,452,505.68	24,452,505.68	100.00	
Shanghai Mengxing Economic and Trade Co., Ltd.	23,703,624.81	23,703,624.81	100.00	Note 1
Shanghai Dingqi Trading Co., Ltd.	20,678,841.54	20,678,841.54	100.00	
Shanghai Xinkuang Steel Co., Ltd.	19,167,643.06	19,167,643.06	100.00	
Shanghai Longna Material Trading Co., Ltd.	17,074,614.56	15,443,139.25	90.45	
Shanghai Baohao Metallic Material Co., Ltd.	15,205,982.62	15,205,982.62	100.00	
Changjiang International Steel Logistics (Suzhou) Co., Ltd.	13,355,353.74	13,355,353.74	100.00	
Shanghai Fuyuan Metallic Material Co., Ltd.	13,110,082.54	11,075,779.87	84.48	
Shanghai Duanfang Trading Co., Ltd.	11,282,114.22	11,282,114.22	100.00	
Sinoma Yangzhou Machinery Manufacture Co., Ltd.	11,930,851.15	11,930,851.15	100.00	Note 2
Yunwei Baoshan Organic Chemical Industry Co., Ltd.	90,090,646.70	16,238,621.70	18.02	Per the analysis of possible loss
Shanyin Xuan'ang Building Materials Co., Ltd.	14,167,635.00	14,167,635.00	100.00	Counterparty's insolvency
Chongqing Tenghui Fuling Cement Co., Ltd.	17,980,733.39	17,980,733.39	100.00	
Total	857,602,686.12	729,983,223.29		

Note 1: In 2013, Sinoma Equipment & Engineering Corp., Ltd. (hereinafter referred to as "Sinoma E&E"), a third-level company of the Group, ceased steel trading business in which it was engaged. After the disposal of relevant contracts in the current year, the bad debt provision was drawn according to the evaluation of such items as payment capacity of customers or relevant responsible parties, relevant security, guarantee, mortgage and pledged assets, as well as the estimate of lawsuit progress.

Note 2: The bankruptcy petition of Sinoma Yangzhou Machinery Manufacture Co., Ltd. (hereinafter referred to as "Sinoma Yangzhou"), a former fourth-level subsidiary of the Group, had been declared by the local court. Sinoma Yangzhou, therefore, cannot be included in the consolidation scope. The Group predicted that the receivables from Sinoma Yangzhou cannot be recovered. As a result, the bad debt provision was drawn in full amount.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(3) In the portfolio, accounts receivable provided for bad debts by aging analysis

Account age	As at 31/12/2016		Provision proportion (%)
	Accounts receivable	Bad debt provision	
Within 1 year	6,123,020,793.57	280,317,887.24	4.58
1-2 years	1,779,607,064.30	187,478,595.61	10.53
2-3 years	723,844,855.13	150,159,391.98	20.74
3-4 years	430,601,864.13	322,443,868.75	74.88
4-5 years	208,035,480.20	194,051,334.52	93.28
Over 5 years	516,698,457.63	516,698,457.63	100.00
Total	9,781,808,514.96	1,651,149,535.73	

(4) Conditions about provision for bad debts drawn and reversed (or received) in the year

In current year, the provided bad debt provision was RMB267,468,935.00 and the recovered or reversed bad debt provision was RMB28,830,151.44.

(5) Accounts receivable actually written off in this year was RMB15,179,640.07.

(6) Top five of accounts receivable

Name	As at 31/12/2016	Account age	Proportion	Bad debt
			of total accounts receivable as at 31/12/2016 (%)	provision as at 31/12/2016
Xinjiang Goldwind Science & Technology Co., Ltd.	512,813,348.35	Within six months	4.79	10,256,266.97
Jiangyin Yuanjing Investment Co., Ltd.	177,248,678.48	Within six months	1.65	3,544,973.57
Shanghai Baotou Material Co., Ltd.	158,788,049.58	4-5 years	1.48	108,686,389.73
FARUK GROUP	119,046,233.20	Within 1 year	1.11	5,952,311.66
Diqing Shangri-La Kunming Iron & Steel Hongda Cement Co., Ltd	108,995,260.53	Within 2 years	1.02	5,563,045.64
Total	1,076,891,570.14		10.05	134,002,987.57

(7) See VI.62 Assets with title restrictions in the Notes for details of accounts receivable pledged for borrowings at the end of the year.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments

(1) Age of prepayments

Item	As at 31/12/2016		As at 31/12/2015	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,657,720,570.25	74.66	3,655,578,558.99	81.26
1-2 years	506,235,265.73	14.22	455,937,382.10	10.13
2-3 years	160,646,758.73	4.52	205,368,837.66	4.56
Over 3 years	235,046,697.13	6.60	181,983,589.78	4.05
Total	3,559,649,291.84	100.00	4,498,868,368.53	100.00

(2) Top five of prepayments

Name	As at 31/12/2016	Account age	Proportion of total payments as at 31/12/2016 (%)
Wuxi Yingtepai Metalwork Co., Ltd.	98,715,000.00	Within 1 year	2.77
Limak Cimento Sanayi VE Ticaret A.S.	78,147,806.25	Within 2 year	2.20
LOESCHE GMBH	71,237,363.85	Within 2 year	2.00
Heraeus Metals (Shanghai) Co., Ltd.	49,949,999.98	Within 1 year	1.40
Zhejiang Yongjie Environmental Technology Co., Ltd.	32,834,903.66	Over 3 years	0.92
Total	330,885,073.74		9.29

6. Dividends receivable

Investee entity	As at 31/12/2016	As at 31/12/2015
BBMG Corporation	33,541,200.00	33,541,200.00
Yili Nan'gang Building Materials (Group) Co., Ltd.	5,008,893.45	5,008,893.45
Nanjing Tongtian Science & Technology Industrial Co., Ltd.	–	419,944.80
Taishan Fiberglass South Africa (PTY) Ltd.	587,004.45	587,004.45
Total	39,137,097.90	39,557,042.70

7. Other receivables

(1) Aging analysis of other receivables

	As at 31/12/2016	As at 31/12/2015
Within 1 year	659,597,162.33	490,595,186.65
1-2 years	188,417,661.27	113,490,636.55
2-3 years	86,182,302.82	68,354,394.66
3-4 years	49,347,655.67	853,625,601.94
4-5 years	667,614,350.45	67,233,602.81
Over 5 years	256,824,251.08	307,231,261.98
Total original value	1,907,983,383.62	1,900,530,684.59
Less: provision for bad debt of other receivables	907,737,632.82	990,438,196.37
Sum of other receivables	1,000,245,750.80	910,092,488.22

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(2) Classification of other receivables

Category	As at 31/12/2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant provided for bad debts on individual basis	678,682,676.08	35.57	566,539,850.28	83.48	112,142,825.80
Account age portfolio	1,054,591,754.76	55.27	306,503,373.25	29.06	748,088,381.51
Other receivables that are individual insignificant provided for bad debts on individual basis	174,708,952.78	9.16	34,694,409.29	19.86	140,014,543.49
Total	1,907,983,383.62	100.00	907,737,632.82	-	1,000,245,750.80

Category	As at 31/12/2015				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant provided for bad debts on individual basis	827,166,471.20	43.52	690,461,738.72	83.47	136,704,732.48
Account age portfolio	923,303,130.08	48.58	274,946,925.02	29.78	648,356,205.06
Other receivables that are individual insignificant provided for bad debts on individual basis	150,061,083.31	7.90	25,029,532.63	16.68	125,031,550.68
Total	1,900,530,684.59	100.00	990,438,196.37	-	910,092,488.22

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**7. Other receivables (Continued)****(2) Classification of other receivables (Continued)**

- 1) Other receivables that are individually significant provided for bad debts on individual basis at the end of the year

Name	Book balance	Provision of bad debts	Proportion (%)	Reason for provision
Shanghai Baoao Steel Co., Ltd.	81,366,127.20	55,693,048.91	68.45	
Shanghai Baotou Material Co., Ltd.	59,916,770.55	41,011,508.69	68.45	
Shanghai Lizhi Material Co., Ltd.	40,197,650.40	40,197,650.40	100.00	
Wuxi Xingguiyuan Steel Trade Co., Ltd.	31,802,014.00	31,802,014.00	100.00	
Tianjin Shaxiang Group Co., Ltd.	28,814,212.80	28,814,212.80	100.00	
Shanghai Dingqi Trading Co., Ltd.	27,020,100.27	27,020,100.27	100.00	
Shanghai Xulong Material Co., Ltd.	24,927,804.70	22,545,958.97	90.45	Note 1
Shanghai Lining Metallic Material Co., Ltd.	17,122,689.12	11,322,689.12	66.13	
Shanghai Jinmengyuan Industry and Trade Co., Ltd.	16,673,237.03	16,673,237.03	100.00	
Shanghai Baotan Industrial Co., Ltd.	15,879,170.34	13,524,850.59	85.17	
Shanghai Baohao Metallic Material Co., Ltd.	15,357,148.74	15,357,148.74	100.00	
Shanghai Kaixian Industrial Co., Ltd.	13,156,609.63	13,156,609.63	100.00	
Shanghai Baohaoyuan Material Co., Ltd.	10,090,234.60	10,090,234.60	100.00	
Sinoma Yangzhou Machinery Manufacture Co., Ltd.	119,776,743.79	119,776,743.79	100.00	Note 2
Taian Taishan Holdings Limited	86,000,000.00	44,500,000.00	51.74	Per the recoverable amount
Jiangxi Shangrao Zhongchuang Real Estate Development Co., Ltd.	25,095,305.71	25,095,305.71	100.00	Per the recoverable amount
Qilianshan Industry & Trade Development Co., Ltd.	23,865,784.20	23,865,784.20	100.00	Counterparty's insolvency
People's Government of Yuhu District, Xiangtan City	17,104,333.00	1,576,012.83	9.21	Per the recoverable amount
Gansu Qilianshan You'an Brake Materials Co., Ltd.	14,516,740.00	14,516,740.00	100.00	Counterparty's insolvency
D'Long International Strategic Investment Company	10,000,000.00	10,000,000.00	100.00	Counterparty's bankruptcy
Total	678,682,676.08	566,539,850.28		

Note 1, Note 2: see VI. 4 in the Notes for details.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(2) Classification of other receivables (Continued)

2) In portfolio, other receivables provided for bad debts by aging analysis

Account age	As at 31/12/2016		
	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	587,119,219.68	28,985,965.70	4.94
1-2 years	118,214,209.82	11,936,626.58	10.10
2-3 years	71,739,164.07	14,417,888.12	20.10
3-4 years	40,091,566.99	23,022,537.90	57.42
4-5 years	40,081,368.77	30,794,129.52	76.83
Over 5 years	197,346,225.43	197,346,225.43	100.00
Total	1,054,591,754.76	306,503,373.25	

(3) Conditions about provision for bad debts drawn and reversed (or received) in the year

In this year, the provided bad debt provision is RMB56,167,972.81 and the recovered or reversed bad debt provision is RMB138,868,536.36.

(4) Other receivables actually written off in this year are RMB101,800.80.

(5) Classification of other receivables by nature

Nature	31/12/2016	31/12/2015
Rent	4,150,339.82	14,042,270.95
Performance deposit and insurance deposit	215,530,261.12	176,252,248.03
Quality deposit	114,475,888.20	108,509,757.00
Reserve funds	146,707,689.45	194,863,134.85
Intercourse funds	527,593,632.81	434,230,378.25
Steel trading accounts receivable	388,566,746.38	561,470,227.82
Advances offered for others	223,771,118.15	142,386,555.55
Investment fund receivable	45,753,430.76	28,383,527.45
Equity transfer	86,000,000.00	89,000,000.00
Others	155,434,276.93	151,392,584.69
Total	1,907,983,383.62	1,900,530,684.59

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other receivables (Continued)

(6) Top five of other receivables

Name	Nature	As at 31/12/2016	Account age	Proportion of total other receivables as at 31/12/2016 (%)	Bad debt provision as at 31/12/2016
Sinoma Yangzhou Machinery Manufacture Co., Ltd.	Intercourse funds	119,776,743.79	Within 5 year	6.28	119,776,743.79
Taian Taishan Holdings Limited	Equity transfer	86,000,000.00	4-5 years	4.51	44,500,000.00
Shanghai Baoao Steel Co., Ltd.	Steel trading account	81,366,127.20	4-5 years	4.26	55,693,048.91
Shanghai Baotou Material Co., Ltd.	Steel trading account	59,916,770.55	4-5 years	3.14	41,011,508.69
Shanghai Lizhi Material Co., Ltd.	Steel trading account	40,197,650.40	4-5 years	2.11	40,197,650.40
Total		387,257,291.94		20.30	301,178,951.79

8. Inventories

(1) Classification of inventories

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Raw materials	1,595,224,726.41	102,180,998.33	1,493,043,728.08	1,749,690,079.58	44,860,050.38	1,704,830,029.20
Products in process	1,968,852,954.00	35,064,098.12	1,933,788,855.88	1,854,860,606.33	31,716,142.92	1,823,144,463.41
Goods in stock	2,662,207,179.95	157,270,204.04	2,504,936,975.91	2,937,173,626.02	140,525,111.94	2,796,648,514.08
Turnover materials	25,903,552.32	3,173,748.48	22,729,803.84	28,963,324.37		28,963,324.37
Completed but unsettled assets formed by construction contract	1,902,035,421.45	61,109,267.26	1,840,926,154.19	3,197,635,194.29	116,646,959.78	3,080,988,234.51
R&D expense	15,050,848.28		15,050,848.28	8,116,444.41		8,116,444.41
Materials in transit	146,332,182.14	13,317,310.05	133,014,872.09	109,839,412.31		109,839,412.31
Goods shipped	63,056,367.38	3,254,534.97	59,801,832.41	63,933,801.07	958,989.70	62,974,811.37
Others	3,949,464.93		3,949,464.93	6,592,854.96		6,592,854.96
Total	8,382,612,696.86	375,370,161.25	8,007,242,535.61	9,956,805,343.34	334,707,254.72	9,622,098,088.62

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories (Continued)

(2) Provisions for decline in value of inventories

Item	As at 31/12/2015	Increase in current year		Decrease in current year		As at 31/12/2016
		Charge amount	Others	Reversal or write-off	Other transfer out	
Raw materials	44,860,050.38	62,900,509.64	-	5,579,561.69	-	102,180,998.33
Products in process	31,716,142.92	10,618,451.62	-	7,270,496.42	-	35,064,098.12
Goods in stock	140,525,111.94	67,794,136.15	-	51,049,044.05	-	157,270,204.04
Completed but unsettled assets						
formed by construction contract	116,646,959.78	15,913,768.15	-	71,451,460.67	-	61,109,267.26
Goods shipped	958,989.70	2,295,545.27	-	-	-	3,254,534.97
Turnover materials	-	3,173,748.48	-	-	-	3,173,748.48
Materials in transit	-	13,317,310.05	-	-	-	13,317,310.05
Total	334,707,254.72	176,013,469.36	-	135,350,562.83	-	375,370,161.25

(3) Completed but unsettled assets formed by construction contract at the end of the year

Item	Amount
Incurred gross costs	33,592,833,784.89
Recognized gross profit	3,108,025,567.22
Less: estimated loss	61,109,267.26
Settled amount	34,798,823,930.66
Completed but unsettled assets formed by construction contract	1,840,926,154.19

9. Assets classified as held for sale

Item	Book value as at 31/12/2016	Fair value	Expected disposal expense	Expected disposal period
Premises and buildings	32,991,013.00	110,186,900.00	-	Year of 2017
Machinery equipment	8,812,324.11	76,183,462.00	-	Year of 2017
Transportation equipment	92,391.21	1,730,260.00	-	Year of 2017
Office equipment and miscellaneous	11,717.26	21,323.90	-	Year of 2017
Total	41,907,445.58	188,121,945.90		

According to the Notice on Implementation Scheme of Removal of Polluting Enterprises (Including Chemical Enterprises) from Central Urban Area of Urumqi Municipality (WZB [2011] No. 104) issued by the General Office of the People's Government of Urumqi Municipality, Cangfanggou Premise of Tianshan Cement (a second-level company of the Group) in No. 242, Shuinichang Street, Cangfanggou Road, Urumqi would be relocated in whole. The government would take back the state-owned land involved in the said removal. Tianshan Cement carried out bid, auction and listing for the land as per the planned conditions and relocation compensation conditions specified by the government. Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. delisted the land and obtained the development right of the land, and should pay the relocation loss and personnel resettlement costs due to the relocation. The relocation and development principles, i.e. "compliance with planning, overall removal, step-by-step demolition and delivery, and phased compensation", determined in the document of the people's government of the autonomous region in Urumqi (XZH [2013] No. 214) shall be followed. Supplementary development of municipal roads and traffic infrastructure of Cangfanggou Premise shall be provided. Tianshan Cement performed relocation and delivered the assets step by step.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**9. Assets classified as held for sale (Continued)**

Tianshan Cement (a second-level company of the Group) signed the Relocation Compensation Agreement of Cangfanggou Premise with Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd., agreeing that assets in the relocation range should be delivered in six phases (i.e. 2014-2019). According to the agreement, phase-IV relocation assets are planned to be delivered in 2017 (ending balance value: RMB41,907,445.58; fair value: RMB188,121,945.90). This part of assets satisfies the determination conditions of holding for sale and shall be separately listed in the balance sheet.

10. Other current assets

Item	As at 31/12/2016	As at 31/12/2015
Overpaid VAT	531,377,191.13	770,835,575.00
Wealth management products	400,000.00	38,000,000.00
Total	531,777,191.13	808,835,575.00

11. Available-for-sale financial assets**(1) Available-for-sale financial assets**

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	2,871,808,317.62	154,404,446.69	2,717,403,870.93	3,251,683,409.12	154,404,446.69	3,097,278,962.43
Including: measured at fair value	2,521,512,211.50	-	2,521,512,211.50	2,913,813,967.34	-	2,913,813,967.34
Measured at cost	350,296,106.12	154,404,446.69	195,891,659.43	337,869,441.78	154,404,446.69	183,464,995.09
Total	2,871,808,317.62	154,404,446.69	2,717,403,870.93	3,251,683,409.12	154,404,446.69	3,097,278,962.43

(2) Available-for-sale financial assets measured at fair value at the end of the year

Item	Available-for-sale equity instruments	Total
Cost of equity instruments	434,406,189.98	434,406,189.98
Fair value	2,521,512,211.50	2,521,512,211.50
Accumulated amount of changes in fair value included in other comprehensive income	2,087,106,021.52	2,087,106,021.52
Amount of impairment provision	-	-

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets measured at fair value at the end of the year (Continued)

- 1) BBMG Corporation (hereinafter referred to as BBMG) was listed on the main board of Hong Kong Exchanges in July 2009. A-shares issued by BBMG gone public on 1 March 2011. As of 31 December 2016, the Company has held 459.94 million A-shares of BBMG worth RMB2,051,332,400.00 of available-for-sale equity instrument at the closing price on the last transaction date of 2016. The Company has held 330,000 corporate shares of Bohai Water Industry Co., Ltd. which can be recognized as RMB6,939,900.00 of available-for-sale equity instrument at the closing price on the last transaction date of 2016. The Company has also held 541,343.27 shares of Great Wall Jiuhe Funds which can be recognized as RMB846,660.88 of available-for-sale equity instrument at the closing price on the last transaction date of 2016.
- 2) As of 31 December 2016, Sinoma International, a second-level company of the Group, has held 520,104 shares of Bank of Communications which can be recognized as RMB3,001,000.08 of available-for-sale equity instrument at the closing price on the last transaction date of 2016.
- 3) As of 31 December 2016, Sinoma Tianjin Heavy Machinery Co., Ltd., a fourth-level company of the Group, has held 1,710,000 shares of Sinoma Energy Conservation Ltd. which can be recognized as RMB20,520,000.00 of available-for-sale equity instrument at the closing price on the last transaction date of 2016.
- 4) West Xinjiang Construction Co., Ltd. (hereinafter referred to as "West Construction") was listed at Shenzhen Stock Exchange in October 2009. As of 31 December 2016, Tianshan Cement, a second-level company of the Group, has held 13,419,473 shares of West Construction which can be recognized as RMB99,840,879.12 of available-for-sale equity instrument at the closing price on the last transaction date of 2016.
- 5) Guotai Junan Securities Co., Ltd. (hereinafter referred to as "Guotai Junan") was listed in Shanghai Stock Exchange on 26 June 2015. As of 31 December 2016, Sinoma Hanjiang Cement Co., Ltd., a third-level company of the Group, has held 4,963,538 shares of Guotai Junan which can be recognized as RMB92,272,171.42 of available-for-sale equity instrument at the closing price on the last transaction date of 2016.
- 6) As of 31 December 2016, Gansu Qilianshan Cement Group Co., Ltd. (hereinafter referred to as "Qilianshan Co."), a third-level company of the Group, has held 18.47 million shares of Lanzhou Ls Heavy Equipment Co., Ltd. (hereinafter referred to as "Ls Heavy Equipment"); due to the planning of significant asset restructuring of Ls Heavy Equipment, the stock was suspended from 24 November 2016, which can be recognized as RMB246,759,200.00 of available-for-sale equity instrument at the closing price before stock suspension.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of the year

Investee entity	As at		Book balance		As at		Impairment provision		Shareholding		Cash dividends in current year
	31/12/2015	31/12/2016	Increase in current year	Decrease in current year	31/12/2015	31/12/2016	Increase in current year	Decrease in current year	proportion in investee entity (%)	As at 31/12/2016	
Sinoma Yangzhou Machinery Manufacture Co., Ltd. (Note 1)	45,028,843.01	45,028,843.01	-	-	45,028,843.01	45,028,843.01	-	-	70.00	-	-
Anhui Pacific Cable Co., Ltd.	30,000,000.00	30,000,000.00	-	-	30,000,000.00	30,000,000.00	-	-	3.00	-	-
Tongda Refractory Technologies Co., Ltd.	24,027,891.82	24,027,891.82	-	-	24,027,891.82	24,027,891.82	-	-	3.00	-	-
Sinoma Dinyuan Ecological Fertilizer Co., Ltd. (Note 2)	-	16,750,000.00	16,750,000.00	-	16,750,000.00	16,750,000.00	-	-	25.01	-	-
Global Cement Capital Partners Ltd	11,324,065.97	11,815,658.31	491,592.34	-	11,815,658.31	11,815,658.31	-	-	10.00	-	-
Fujian Longyan Sande Cement Building Material Industry Co., Ltd.	1,750,000.00	-	-	1,750,000.00	-	-	-	-	-	-	-
Beijing Zhongjian Haida International Trading Co., Ltd. (Note 3)	1,000,000.00	1,000,000.00	-	-	1,000,000.00	1,000,000.00	-	-	20.00	-	-
Guangxi Yufeng Cement STOCK Co., Ltd.	755,274.07	755,274.07	-	-	755,274.07	755,274.07	-	-	0.16	-	-
Beijing CCA Website Information Consultation Co., Ltd.	304,825.02	304,825.02	-	-	304,825.02	304,825.02	-	-	17.28	-	-
Tangshan Beifang Cement Machinery (Institute) Co., Ltd.	278,741.58	278,741.58	-	-	278,741.58	278,741.58	-	-	3.14	-	-
Sichuan International Building Material Corporation	50,000.00	50,000.00	-	-	50,000.00	50,000.00	-	-	8.33	-	-
Shanghai Shenjian Corporation	42,313.66	42,313.66	-	-	42,313.66	42,313.66	-	-	9.60	-	-
Xian Scidloor High-tech Biological Co., Ltd.	4,600,000.00	4,600,000.00	-	-	4,600,000.00	4,600,000.00	-	-	6.25	-	-
Eastern Life Insurance Co., Ltd.	50,000,000.00	50,000,000.00	-	-	50,000,000.00	50,000,000.00	-	-	6.50	-	-
Deheng Securities Co., Ltd.	49,800,000.00	49,800,000.00	-	-	49,800,000.00	49,800,000.00	-	-	8.18	-	-
Xinjiang Western International Travel Service Co., Ltd.	22,018,127.14	22,018,127.14	-	-	22,018,127.14	22,018,127.14	-	-	1.58	-	-
Xinjiang MME Switch Co., Ltd.	2,100,000.00	2,100,000.00	-	-	2,100,000.00	2,100,000.00	-	-	1.66	-	3,676,800.00
Bank of Ningxia Co., Ltd.	57,300,000.00	57,300,000.00	-	-	57,300,000.00	57,300,000.00	-	-	0.25	-	36,000.00
Majiji Rural Cooperative Bank	200,000.00	200,000.00	-	-	200,000.00	200,000.00	-	-	0.22	-	13,000.00
Banking Department of Qingshui County Credit Cooperation Union	100,000.00	100,000.00	-	-	100,000.00	100,000.00	-	-	0.09	-	3,078,893.32
Chang'an Bank Co., Ltd.	4,641,980.00	4,641,980.00	-	-	4,641,980.00	4,641,980.00	-	-	3.35	-	1,200,000.00
Hubei Changyao New Material Co., Ltd.	2,100,000.00	2,100,000.00	-	-	2,100,000.00	2,100,000.00	-	-	0.03	-	261,914.72
Guotai Junan Investment Management Co., Ltd.	403,340.00	403,340.00	-	-	403,340.00	403,340.00	-	-	8.00	-	-
Yangzhou Kewo Energy-saving New Materials Co., Ltd.	4,000,000.00	4,000,000.00	-	-	4,000,000.00	4,000,000.00	-	-	0.86	-	275,772.55
Nanjing Tongtian Science & Technology Industrial Co., Ltd.	3,107,200.00	3,107,200.00	-	-	3,107,200.00	3,107,200.00	-	-	8.93	-	-
Shandong Innovation Investment Guarantee Co., Ltd.	2,000,000.00	2,000,000.00	-	-	2,000,000.00	2,000,000.00	-	-	0.28	-	7,348.32
Zoucheng Rural Credit Cooperative Union	1,000,000.00	1,000,000.00	-	-	1,000,000.00	1,000,000.00	-	-	56.00	-	-
Lanzhou Chongxiang Building Material Co., Ltd. (Note 4)	9,495,603.68	9,495,603.68	-	-	9,495,603.68	9,495,603.68	-	-	0.14	-	-
China Dragon Securities Co., Ltd.	5,917,145.03	2,852,217.03	-	3,064,928.00	2,852,217.03	2,852,217.03	-	-	18.00	-	-
Lanzhou Zhongchuan Qilianshan Cement Co., Ltd.	4,524,090.80	4,524,090.80	-	-	4,524,090.80	4,524,090.80	-	-	-	-	-
Total	337,869,441.78	350,296,106.12	17,241,592.34	4,814,928.00	350,296,106.12	350,296,106.12	-	-	-	154,404,446.69	7,469,728.91

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of the year

- Note 1: The bankruptcy petition of Sinoma Yangzhou Machinery, a former fourth-level company of the Group, has been accepted by the local court and the administrative receiver has been designed. Sinoma Yangzhou, therefore, cannot be included in the consolidation scope.
- Note 2: On 11 October 2016, Sinoma International (second-level Company of the Group) signed an investment agreement with Zhonggong Dingyuan Potash Co., Ltd. (later renamed Sinoma Dingyuan Ecological Fertilizer Co., Ltd., hereinafter referred to as Dingyuan Fertilizer Company), and the original shareholders of Dingyuan Fertilizer Company, and agreed that Sinoma International shall pay first-phase capital contribution of RMB21,785,900.00, then invest RMB12,370,000.00 in the way of capital increase to obtain 51% equity of Dingyuan Fertilizer Company; these matters belong to a package deal. As of the end of the year, Sinoma International has paid an investment of RMB16,750,000.00 to Dingyuan Fertilizer Company, and obtained 25.01% equity of Dingyuan Fertilizer Company, which is a available-for-sale financial asset as measured by cost method because it has not reached the control or significant impact.
- Note 3: Sinoma E&E, a third-level company of the Group, holds 20% equity of Beijing Zhongjian Haida International Trading Co., Ltd. (hereinafter referred to as "Zhongjian Haida"). According to the Articles of Association of Zhongjian Haida, all directors shall be recommended by its controlling shareholder, i.e. China National Building Material Equipment Corporation, and Sinoma E&E shall not participate in the operating management.
- Note 4: Qilianshan Co., a third-level company of the Group, holds 56.00% equity of Lanzhou Chongxiang Building Material Co., Ltd. (hereinafter referred to as "Lanzhou Chongxiang"). According to the equity lease agreement signed by and between Qilianshan Co. and Yongdeng Cement Plant Qilianshan Industrial Co., Ltd. (hereinafter referred to as "Yongdeng Industrial"), Qilianshan Cement shall lease its equity of Lanzhou Chongxiang (56.00%) to Yongdeng Industrial until 31 August 2018.

12. Held-to-maturity investments

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Deheng Securities Co., Ltd.	23,664,975.00	23,664,975.00	-	23,664,975.00	23,664,975.00	-
Jinxin Trust & Investment Co., Ltd.	76,301,383.33	76,301,383.33	-	76,301,383.33	76,301,383.33	-
Total	99,966,358.33	99,966,358.33	-	99,966,358.33	99,966,358.33	-

- (1) As of 31 December 2016, the book cost amount of the financial investment entrusted by Tianshan Cement, a second-level company of the Group, in Deheng Securities Co., Ltd. had been RMB23,664,975.00. According to the resolutions made in the 28th meeting of the second session of board of directors of Tianshan Cement and in the 37th meeting of the second session of board of directors, Tianshan Cement drew the impairment provision in full in 2004.
- (2) As of 31 December 2016, the book cost amount of the financial investment entrusted by Tianshan Cement, a second-level company of the Group, and its holding subsidiary, i.e. Xinjiang Tunhe Cement Co., Ltd. (hereinafter referred to as "Tunhe Cement"), in Jinxin Trust & Investment Co., Ltd. had been RMB76,301,383.33. According to the resolutions made in the 28th meeting of the second session of board of directors of Tianshan Cement and in the 37th meeting of the second session of board of directors, Tianshan Cement drew the impairment provision in full in 2004.

13. Long-term receivables

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Installment Contract	1,409,191,067.46	-	1,409,191,067.46	332,014,376.92	-	332,014,376.92
Total	1,409,191,067.46	-	1,409,191,067.46	332,014,376.92	-	332,014,376.92

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Long-term equity investments

Investee entity	As at 31/12/2015	Additional Investment	Investment decrease	Investment gain/loss under equity method	Changes in current year				As at 31/12/2016	Impairment provision as at 31/12/2016
					Adjustment of other comprehensive incomes	Other equity changes	Cash dividends or profits declared to pay	Charge of impairment provision		
I. Joint ventures										
Taishan Fiberglass South Africa (PTY) Ltd.	6,112,675.74	-	-	903,589.71	-2,966,630.58	-	-	-701,473.46	3,348,361.41	-
II. Associates										
Wuxi Hengjiu Concrete Pile Manufacturing Co., Ltd.	1,543,098.35	-	-	27,202.12	-	-	-	-	1,570,300.47	-
Hanzhong Hanjiang Concrete Co., Ltd.	2,403,918.23	-	-	-	-	-	-	-	2,403,918.23	2,403,918.23
Jiangsu Zhongkai New Material Co., Ltd.	-	3,522,318.40	-	-	-	-	-	-	3,522,318.40	-
Sinoma GT& (Tianjin)	-	-	-	-	-	-	-	-	-	-
Investment Management Co., Ltd.	-	7,500,000.00	-	-151,058.63	-	-	-	-	7,348,941.37	-
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	19,224,244.70	-	-	823,464.80	-	-	-	-	20,047,709.50	-
Hangzhou Qiangshi	-	-	-	-	-	-	-	-	-	-
Engineering Materials Co., Ltd.	5,097,467.92	-	-	10,189.79	-	-	-	-	5,107,657.71	-
Sinoma Group Finance Co., Ltd.	172,034,225.97	-	-	11,791,019.22	-	-1,560,000.00	-	-	182,265,245.19	-
Gezhouba Sinoma Jieixin (Wuhan) Science & Technology Co., Ltd.	15,000,000.00	-	-	687,538.15	-	-	-	-	15,687,538.15	-
III. Others										
Zibo Zhongbo Ceramic Technology Co., Ltd.	1,304,659.22	-	-	-	-	-	-	-	1,304,659.22	1,304,659.22
Zibo Zhongbo Ceramics Co., Ltd.	1,456,752.00	-	-	-	-	-	-	-	1,456,752.00	1,456,752.00
Tibet Donggar Datongle Cement Grinding Co., Ltd.	7,716,784.77	-	-	-	-	-	-	-	7,716,784.77	7,716,784.77
Jinhan Kiln Tail Preheater Engineering Corporation	100,000.00	-	-	-	-	-	-	-	100,000.00	100,000.00
Tianjin Xinjinyuan Industrial Development Co., Ltd.	1,050,000.00	-	-	-	-	-	-	-	1,050,000.00	1,050,000.00
Technical Service Department of Tianjin Cement Industry Design & Research Institute Co., Ltd.	2,584,397.54	-	-	-	-	-	-	-	2,584,397.54	1,861,489.10
otex cement prt ltd	4,901.90	-	-	-	-	-	-	212.83	5,114.73	-
IMS Botwana	510,235.37	-	-	-	-	-	-	212.02	510,447.39	503,125.98
Material Research Suzhou Huajian Consultation Co., Ltd.	102,551.57	-	-	102,551.57	-	-	-	-	-	-
30,000.00	30,000.00	-	-	-	-	-	-	-	-	30,000.00
Anhui Xiaoxian Jinyuan Mining Co., Ltd.	1,951,905.86	-	-	-	-	-	-	-	1,951,905.86	1,951,905.86
Total	238,227,819.14	11,022,318.40	102,551.57	14,091,965.16	-2,966,630.58	-1,560,000.00	-701,048.61	258,012,071.94	18,378,635.16	

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investment properties

(1) Investment real estate measured at cost

Item	Premises and buildings	Land use right	Total
I. Original book value			
1. As at 31/12/2015	318,819,660.08	100,453,665.25	419,273,325.33
2. Increase in current year	13,154,919.75	2,720,197.53	15,875,117.28
(1) Outsourcing	591,120.00	–	591,120.00
(2) Fixed assets/Transferred from intangible assets	12,563,799.75	2,720,197.53	15,283,997.28
3. Decrease in current year	18,358,924.65	744,514.57	19,103,439.22
(1) Disposal	16,473,616.87	744,514.57	17,218,131.44
(2) Transferred to fixed assets	1,885,307.78	–	1,885,307.78
4. As at 31/12/2016	313,615,655.18	102,429,348.21	416,045,003.39
II. Accumulated depreciation and accumulated amortization			
1. As at 31/12/2015	80,474,633.88	12,646,386.09	93,121,019.97
2. Increase in current year	16,070,156.38	2,705,959.98	18,776,116.36
(1) Provision or amortization	8,701,084.08	2,449,052.62	11,150,136.70
(2) Fixed assets/Transferred from intangible assets	7,369,072.30	256,907.36	7,625,979.66
3. Decrease in current year	9,160,816.61	379,020.88	9,539,837.49
(1) Disposal	8,856,106.32	379,020.88	9,235,127.20
(2) Transferred to fixed assets	304,710.29	–	304,710.29
4. As at 31/12/2016	87,383,973.65	14,973,325.19	102,357,298.84
III. Impairment provision	–	–	–
1. As at 31/12/2015	–	–	–
2. Increase in current year	–	–	–
(1) Provision	–	–	–
3. Decrease in current year	–	–	–
(1) Disposal	–	–	–
(2) Other transfer out	–	–	–
4. As at 31/12/2016	–	–	–
IV. Book value	–	–	–
1. Book value as at 31/12/2016	226,231,681.53	87,456,023.02	313,687,704.55
2. Book value as at 31/12/2015	238,345,026.20	87,807,279.16	326,152,305.36

(2) Investment properties in the process of title certificate handling

Item	Book value as at 31/12/2016	Book value as at 31/12/2015	Reason
Shops of Qilianshan real estate building	1,756,897.56	1,813,309.08	In progress

At the end of the year, the above properties were obtained in accordance with the relevant legal procedures. The Group is confident that the property transfer does not have substantial legal impediments or affect the Group's normal use of such buildings. Therefore, it does not materially affect the normal operation of the Group; there is no need to withdraw the impairment provision of investment properties.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed assets

(1) Breakdown

Item	Premises and buildings	Machinery equipment	Transportation equipment	Office equipment	Others	Total
I. Original book value						
1. As at 31/12/2015	25,928,752,979.29	35,582,960,602.82	1,898,771,128.06	1,063,837,236.04	906,231,585.27	65,380,553,531.48
2. Increase in current year	857,732,525.86	2,292,170,011.37	133,303,691.90	130,629,378.74	297,820,593.17	3,711,656,201.04
(1) Purchase	157,773,414.77	651,626,409.25	116,646,417.92	58,319,815.88	107,489,868.04	1,091,855,925.86
(2) Transferred from construction in progress	698,017,225.09	1,642,500,893.76	13,600,058.53	68,776,180.74	190,330,725.13	2,613,225,083.25
(3) Transferred from investment real estate	1,885,307.78	-	-	-	-	1,885,307.78
(4) Effect of exchange rates	56,578.22	-1,957,291.64	3,057,215.45	3,533,382.12	-	4,689,884.15
3. Decrease in current year	284,886,073.39	740,297,663.18	114,777,061.98	16,874,433.37	178,460,828.60	1,335,296,060.52
(1) Disposal or retirement	40,112,849.15	510,108,266.95	101,807,650.31	20,594,890.27	159,430,078.23	832,053,734.91
(2) Transferred to construction in progress	102,850,909.30	89,624,176.00	-	-	-	192,475,085.30
(3) Transferred to investment properties	12,563,799.75	-	-	-	-	12,563,799.75
(4) Decrease due to business merger	12,713,728.28	8,224,469.20	11,048,258.51	514,454.05	-	32,500,910.04
(5) Other decreases (Note)	116,644,786.91	132,340,751.03	1,921,153.16	-4,234,910.95	19,030,750.37	265,702,530.52
4. As at 31/12/2016	26,501,599,431.76	37,134,832,951.01	1,917,297,757.98	1,177,592,181.41	1,025,591,349.84	67,756,913,672.00
II. Accumulated depreciation						
1. As at 31/12/2015	4,842,248,522.79	13,507,195,010.42	1,083,439,411.99	658,856,513.37	561,116,822.34	20,652,856,280.91
2. Increase in current year	775,978,077.90	2,292,658,417.62	211,060,625.65	110,059,506.13	147,693,316.48	3,537,449,943.78
(1) Provision	776,034,436.70	2,293,135,330.49	208,262,596.62	108,991,072.04	147,693,316.48	3,534,116,752.33
(2) Transferred from investment real estate	304,710.29	-	-	-	-	304,710.29
(3) Effect of exchange rates	-361,069.09	-476,912.87	2,798,029.03	1,068,434.09	-	3,028,481.16
3. Decrease in current year	116,155,901.61	350,064,362.06	81,974,870.81	14,763,655.43	83,510,309.97	646,469,099.88
(1) Disposal or retirement	11,095,038.93	196,480,225.55	75,101,020.99	14,290,489.90	64,479,559.60	361,446,334.97
(2) Transferred to construction in progress	35,163,699.74	72,853,505.34	-	-	-	108,017,205.08
(3) Transferred to investment properties	7,369,072.30	-	-	-	-	7,369,072.30
(4) Decrease due to business merger	1,396,791.38	2,830,442.39	5,342,760.24	305,472.62	-	9,875,466.63
(5) Other decreases (Note)	61,131,299.26	77,900,188.78	1,531,089.58	167,692.91	19,030,750.37	159,761,020.90
4. As at 31/12/2016	5,502,070,699.08	15,449,789,065.98	1,212,525,166.83	754,152,364.07	625,299,828.85	23,543,837,124.81
III. Impairment provision						
1. As at 31/12/2015	480,395,778.26	492,881,767.27	7,075,119.84	7,448,276.15	21,913,219.69	1,009,714,161.21
2. Increase in current year	191,766,960.37	295,200,385.06	6,710,986.75	2,091,989.14	731,775.46	496,502,096.78
(1) Provision	191,766,960.37	295,200,385.06	6,710,986.75	2,091,989.14	731,775.46	496,502,096.78
3. Decrease in current year	1,033,889.64	4,374,506.96	152,285.05	8,975.49	6,217,230.83	11,786,887.97
(1) Disposal or retirement	1,033,889.64	4,374,506.96	152,285.05	8,975.49	6,217,230.83	11,786,887.97
4. As at 31/12/2016	671,128,848.99	783,707,645.37	13,633,821.54	9,531,289.80	16,427,764.32	1,494,429,370.02
IV. Book value						
1. Book value as at 31/12/2015	20,328,399,883.69	20,901,336,239.66	691,138,769.61	413,908,527.54	383,863,756.67	42,718,647,177.17
2. Book value as at 31/12/2016	20,606,108,678.24	21,582,883,825.13	808,256,596.23	397,532,446.52	323,201,543.24	43,717,983,089.36

Note: "Other decreases" mainly include 1) the phase-IV relocation assets paid by Tianshan Cement (a second-level company of the Group) according to Relocation Compensation Agreement of Cangfanggou Premise in 2017; the assets transferred to and classified as available for sale at the end of the year; the original value of the fixed assets of RMB182,637,716.11 and the accumulated depreciation of RMB140,730,270.53 was transferred out; 2) the original value of fixed assets worth RMB64,034,064.04 was adjusted in clinker cement production lines of Tianshan Cement (a second-level company of the Group) and its subsidiaries according to the final report of financial completion; 3) after the sharing period of contracted energy management project of Anhui Jieyuan Environmental Protection Technology Co., Ltd. (a third-level company of the Group), the original value of fixed assets and accumulated depreciation of RMB19,030,750.37 were written off at the same time.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed assets (Continued)

(2) Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Premises and buildings	1,252,180,386.34	594,273,055.84	440,838,959.31	217,068,371.19
Machinery equipment	2,364,778,221.71	1,647,120,533.56	478,885,062.98	238,772,625.17
Transportation vehicles	94,811,595.92	79,421,593.74	9,838,341.64	5,551,660.54
Office equipment	49,395,690.49	36,855,437.10	7,039,392.62	5,500,860.77
Others	10,205,699.71	9,671,171.58		534,528.13
Total	3,771,371,594.17	2,367,341,791.82	936,601,756.55	467,428,045.80

(3) Fixed assets acquired by financing lease

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Machinery equipment	570,307,983.96	57,458,644.34	–	512,849,339.62
Total	570,307,983.96	57,458,644.34	–	512,849,339.62

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed assets (Continued)

(4) Fixed assets in the process of title certificate handling (Continued)

Item	Book value as at 31/12/2016	Reason
New workshop and auxiliary buildings of Shangrao Machinery Co., Ltd.	43,916,494.02	Overall relocation and construction has not been completed and the title certificate will be handled together after construction of the office building
Sandblasting room of Sinoma-Liyang Heavy Machinery Co., Ltd.	3,694,528.57	This room is distributed in the workshop in Phase-II Project. Since Phase-II Project has not been completed, the title certificate cannot be handled
Office building of Sinoma-Tangshan Heavy Machinery Co., Ltd.	2,081,995.60	Project planning completion acceptance, construction permit, fire-fighting registration certificate of construction project and registration of completion acceptance of construction project in progress
Production workshop of Sinoma-Tangshan Heavy Machinery Co., Ltd.	4,428,368.38	
Dormitory of Sinoma-Tangshan Heavy Machinery Co., Ltd.	2,148,907.22	Unsettled yet
Factory and workshop of Sinoma-Xuzhou Heavy Machinery Co., Ltd.	117,447,444.47	
1900 m ² finished product warehouse of Environmental Protection Conveying Machinery Branch of Sinoma Changshu Machinery	1,272,338.00	In progress
Clinker cement production line of Dabancheng Tianshan Phase I	80,706,308.38	In progress
Sales office building of Hami Tianshan	19,379,951.53	In progress
Office building, central control building, laboratory building, etc. of Wuhai Saima	12,688,726.96	In progress
Main workshop and other houses of Wuhai Xishui	9,336,494.26	In progress
Office & Service Building of Saima Concrete	11,439,788.24	In progress
Office building, dormitory and production houses of Sinoma Tianshui	10,757,176.79	In progress
Office building, dormitory and production houses of Sinoma Gansu	12,526,978.61	In progress
Office building of Qingtongxia Concrete Jinji Branch	1,621,840.61	In progress
Office building, dormitory, laboratory building, etc. of Tianshui Huajian	2,423,825.66	In progress
Laboratory building, weighbridge room and power distribution room of Zhongning Concrete	1,858,045.24	In progress
Sale office building of Zhongning Saima	953,290.48	In progress
BOX (企業匯6號樓)	25,781,600.17	In progress
Filter warehouses, sewing workshop construction projects	15,657,548.11	In progress
House property of Taishan Fiberglass	350,449,922.48	In progress
House property of Shandong Composite Material	62,260,667.47	In progress
House property of Antai Gas	10,259,723.78	In progress
House property of Huatai Fine Powder	1,161,032.87	In progress
Storehouse, office building and workshop of the headquarters of CSG Limited	9,872,091.06	In progress
Premises and buildings of Jiangsu Solar Energy	31,939,979.14	Incomplete certificate information
Factory, office building and dormitory of Silicon Material Company	17,484,448.14	Incomplete certificate information
Golmud complex building and 110KV converging booster station	10,882,974.58	Incomplete certificate information
Production workshop of Zibo quartz ceramic radome	3,104,880.45	Incomplete certificate information
Staff quarters of Zibo Science and Technology Park	4,685,126.08	Incomplete certificate information
Zibo post-processing workshop	1,415,443.88	Incomplete certificate information
No. 7 room and road of Jiangxi electric porcelain joint	4,179,338.21	Incomplete certificate information
Total	887,817,279.44	

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed assets (Continued)

(4) Fixed assets in the process of title certificate handling (Continued)

Seeing that the above properties were obtained in accordance with the relevant legal procedures, the Board of Directors of the Company is confident that the property transfer does not have substantial legal impediments or affect the Group's normal use of such buildings. Therefore, it does not materially affect the normal operation of the Group; there is no need to withdraw the impairment provision of fixed assets.

(5) See VI.62 Assets with title restrictions in the Notes for details of fixed assets pledged for borrowings at the end of the year.

17. Construction in progress

(1) Breakdown

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
High-end Environmental Protection Equipment Industrial Base Construction of New Factory of Sinoma Shangrao and Office Building	29,761,788.60	-	29,761,788.60	1,636,657.00	-	1,636,657.00
Liyang Sinoma Environmental hazards project Construction of New Factory of Xuzhou Heavy Machinery	25,037,048.67	-	25,037,048.67	20,460,436.55	-	20,460,436.55
Cement Technical Equipment Base of Liyang Heavy Machinery	21,700,526.52	-	21,700,526.52	7,599,073.19	-	7,599,073.19
Nanjing Mine Aggregate Development Line	8,605,781.19	-	8,605,781.19	5,957,157.99	-	5,957,157.99
Duolang Sishichang Rock Mine of Tianshan Cement	5,957,157.99	-	5,957,157.99	9,309,235.11	-	9,309,235.11
Yili Jiakubula Limestone Mine Project of Tianshan Cement	-	-	-	40,109,467.19	-	40,109,467.19
Yecheng Tianshan Kokyar Limestone Mine	40,109,467.19	-	40,109,467.19	36,956,582.10	-	36,956,582.10
Kuqa Hutong Bulake Mine	33,652,329.91	-	33,652,329.91	62,887,804.91	-	62,887,804.91
Hami Tianshan Sitian Limestone Mine	23,410,676.06	-	23,410,676.06	8,192,795.20	-	8,192,795.20
Changji Tianshan Jinggou Mine	17,440,020.67	-	17,440,020.67	16,876,788.79	-	16,876,788.79
Emin Tianshan 3000t Clinker Production Line Project	11,752,947.34	-	11,752,947.34	11,750,397.34	-	11,750,397.34
Auxiliary Project of Co-processing of 29800t Hazard Waste with Liyang Tianshan	10,826,690.40	-	10,826,690.40	9,423,060.15	-	9,423,060.15
3000T Clinker Production Line of Fuyun Tianshan	10,563,589.17	10,563,589.17	-	10,562,470.99	5,901,927.14	4,660,543.85
Turpan Tianshan Technical Reform Project	9,910,464.70	-	9,910,464.70	4,100,043.03	-	4,100,043.03
Luopu Tianshan Mine Project	4,845,978.68	-	4,845,978.68	4,604,892.21	-	4,604,892.21
Hamilton Tianshan Low-Temperature Waste Heat Power Generation and Bypass Ventilation Technical Reform Project	-	-	-	12,394,601.27	-	12,394,601.27
	-	-	-	12,202,602.07	-	12,202,602.07
	-	-	-	4,674,654.38	-	4,674,654.38

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**17. Construction in progress (Continued)****(1) Breakdown (Continued)**

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
4500T Cement Clinker Production Line and Auxiliary 9MW Low-Temperature Cogeneration Project of Ningxia Building Materials	-	-	-	50,815,635.58	-	50,815,635.58
Ningdong Flyash Fine and Deep Processing Project	-	-	-	25,858,363.43	-	25,858,363.43
Mining Production Line of Kharachin Grassland Cement Co., Ltd.	-	-	-	24,253,123.06	-	24,253,123.06
Cement Kiln Co-processing Domestic Waste Project of Anhui Cement	63,335,311.85	-	63,335,311.85	-	-	-
Production Line of Sinoma Hong Kong Zambia Project	40,210,316.94	-	40,210,316.94	-	-	-
Breaking Project of Anhui Cement	20,958,702.45	-	20,958,702.45	-	-	-
4500t Clinker Cement Production Line of Phase-II Luoding Project	6,525,541.90	-	6,525,541.90	6,525,541.90	-	6,525,541.90
5000t/d Cement Production Line and Relevant Supporting Project of Xiangtan Sinoma Cement	5,476,907.30	-	5,476,907.30	17,282,841.03	-	17,282,841.03
Raw Mill Project of Sinoma Hengda	-	-	-	34,187,807.38	-	34,187,807.38
Reform of Out-of-mill System for Nos. 1 and 2 Cement Mills of Sinoma Cement	-	-	-	17,217,312.02	-	17,217,312.02
F04 – 2*100,000 t/a Alkali-Free Glass Fiber Tank-Kiln Drawing Production Line Project	500,607,051.26	-	500,607,051.26	-	-	-
Multi-axial Project of New Park of Taishan Fiberglass	86,638,182.67	-	86,638,182.67	79,554,197.61	-	79,554,197.61
F05 – 50,000 t/a Glass Fiber Kiln Production Line and Supporting Project	62,859,985.85	-	62,859,985.85	-	-	-
F03 – 100,000 t/a Alkali-Free Glass Fiber Tank-Kiln Drawing Production Line Project	48,244,500.00	-	48,244,500.00	254,495,661.31	-	254,495,661.31
50,000t Electronic Grade Alkali-Free Glass Fiber project of Taishan Fiberglass	47,587,843.35	-	47,587,843.35	759,087,975.67	-	759,087,975.67
Cold Repair, Capacity Expansion and Reconstruction Project of 2# Spun Yarn Production Line	34,325,789.72	-	34,325,789.72	57,379,218.24	-	57,379,218.24
Line 3 Cold Repair and Reconstruction Project (3#/4# Line Cold Repair and Reconstruction to Create Two 80,000 tons Production Lines)	33,199,124.49	-	33,199,124.49	383,018.86	-	383,018.86
Expansion Project of Multi-Axial Warp Knitting Fabric Production Line for 2 MW Wind Turbine Blades	32,537,699.40	-	32,537,699.40	-	-	-
4000t Industrial Project of Sinoma Science & Technology	20,472,864.12	-	20,472,864.12	83,150.94	-	83,150.94
New Industrial Park Project of Taishan Fiberglass	18,229,424.00	-	18,229,424.00	37,375,972.35	-	37,375,972.35
CNG Cylinder Industry Transfer Project	15,373,303.10	-	15,373,303.10	-	-	-
Multi-Variety Small-Batch Research and Development Capacity Building	13,350,326.59	-	13,350,326.59	-	-	-
4,000 t/a High-Strength and High-Membrane Alkali-Free Glass Fiber Production Line	8,356,000.20	-	8,356,000.20	-	-	-
Pipe Installation Works of Taishan Fiberglass	7,831,852.34	-	7,831,852.34	2,697,796.27	-	2,697,796.27
New District Staff Logistics Service Project	7,158,219.52	-	7,158,219.52	-	-	-
International Customer Production Workshop Construction Project	6,543,670.26	-	6,543,670.26	-	-	-
400,000 pc./a Small Cylinder Expansion Project	5,209,857.02	-	5,209,857.02	5,135,822.28	-	5,135,822.28
KCW75	4,390,107.67	-	4,390,107.67	4,390,107.67	-	4,390,107.67
31 Technical Reform of Sinoma Sciences & Technology	1,310,603.53	-	1,310,603.53	17,903,049.38	-	17,903,049.38
One-step Method Test Platform Project of Sinoma Sciences & Technology	-	-	-	39,159,582.78	-	39,159,582.78

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in progress (Continued)

(1) Breakdown (Continued)

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Building Project of 20,000,000 m ² /a Lithium Battery Diaphragm of Sinoma Science & Technology	-	-	-	73,419,543.10	-	73,419,543.10
Sinoma Blade Beijing-Tianjin-Hebei Integration Project	-	-	-	60,688,072.29	-	60,688,072.29
Glass Fabric Processing Unit (3#FN Unit) Installation Project	-	-	-	15,410,765.55	-	15,410,765.55
Technical Reconstruction Project of Alkali-resisting (AR) Fiberglass Production Line of Taishan Fiberglass	-	-	-	10,454,764.44	-	10,454,764.44
Infrastructure Construction of Wind Power Blade Industrial Base of Sinoma Science & Technology in Central Region	-	-	-	5,767,108.50	-	5,767,108.50
Construction Project of Parent Glass R&D Building and Complex Building of Sinoma Advanced	23,181,805.64	-	23,181,805.64	22,703,575.08	-	22,703,575.08
Construction Project WJJG	9,184,836.01	-	9,184,836.01	4,500,544.00	-	4,500,544.00
Phase-II Technical Reform of 100,000 pc./a Production Line of Quartz Ceramic Crucible for Solar Energy Polysilicon	5,359,059.81	-	5,359,059.81	-	-	-
50,000t/a High-Purity Quartz Sand Production Line	4,712,131.34	-	4,712,131.34	4,712,131.34	-	4,712,131.34
Boron Nitride Project of Sinoma Advanced	4,987,009.77	-	4,987,009.77	7,324,646.49	-	7,324,646.49
100 t/a Silicon Nitride Ceramic Product Project	362,877.64	-	362,877.64	5,127,759.89	-	5,127,759.89
80,000 t/a Alkali-free Glass Fiber Production Line Technical Improvement Project	118,075,445.73	-	118,075,445.73	1,993,449.47	-	1,993,449.47
4500T/D New Dry Method Cement Production Line Project of Wushan	69,725,723.49	-	69,725,723.49	20,895,710.70	-	20,895,710.70
4500T/D Production Line of Chengxian Qilianshan	37,100,947.85	-	37,100,947.85	37,043,199.10	-	37,043,199.10
Gulang 2 # Cement Mill New Roller Press System	26,740,525.03	-	26,740,525.03	-	-	-
4.5 Mw Waste Heat Power Generation of Wenxian Qilianshan Cement Co., Ltd.	24,416,644.73	-	24,416,644.73	-	-	-
Energy Conservation and Emission Reduction, i.e. Comprehensive Resource Utilization of Qilianshan Yumen 2*4500t/d New Dry Method Cement Production Line	21,817,111.19	-	21,817,111.19	19,717,182.78	-	19,717,182.78
Public Rental Housing Construction Project	19,938,632.01	-	19,938,632.01	1,124,863.00	-	1,124,863.00
Energy-Saving Technical Reconstruction Project of Honggu Raw Mill and 2 # Cement Mill	16,826,077.98	-	16,826,077.98	-	-	-
1,200,000t/a Dry Method Cement Production Line in Tibet	11,696,202.56	-	11,696,202.56	9,540,731.06	-	9,540,731.06
Energy-Saving Reconstruction of Raw Mill System (QPLJG201600008)	8,686,293.77	-	8,686,293.77	-	-	-
Development and Construction Project of Longgou	7,800,567.99	-	7,800,567.99	3,310,565.99	-	3,310,565.99
Chengxian Waste Heat Power Generation	6,919,655.27	-	6,919,655.27	3,847,688.05	-	3,847,688.05
Sunan Qilianshan 4500T/D Clinker Production Line	6,751,857.44	-	6,751,857.44	8,571,757.47	-	8,571,757.47
Westward Expansion Project of Chengxian Niuxieshan Mine	3,965,188.68	-	3,965,188.68	4,570,754.72	-	4,570,754.72
Others	103,210,679.39	6,441,607.41	96,769,071.98	184,628,264.69	2,272,717.40	182,355,547.29
Total	1,875,766,925.94	17,005,196.58	1,858,761,729.36	2,178,988,286.56	8,174,644.54	2,170,813,642.02

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in progress (Continued)

(2) Changes in major projects under construction

Project name	Decrease in this year			As at 31/12/2015	Increase in this year	Transferred to fixed assets	Others	As at 31/12/2016	Budgets (RMB million)	Proportion of project investment in the budget (%)	Progress (%)	Accumulated capitalized interest	Including: amount of capitalized interest in current year	Capitalization rate of interest in current year (%)	Sources of funding
	As at 31/12/2015	Increase in this year	Decrease												
High-end Environmental Protection Equipment Industrial Base	1,636,657.00	28,125,131.60	-	1,636,657.00	-	-	-	29,761,788.60	141.59	10.00	40.00	-	-	-	Self-financing
Construction of New Factory of Sinoma Shengao and Office Building	20,460,486.55	4,576,612.12	-	20,460,486.55	-	-	-	25,037,048.67	63.05	31.45	31.45	-	-	-	Government special fund
Sinoma-Liyang Environmental Hazards Project	259,778.81	21,440,747.71	-	259,778.81	-	-	-	21,700,526.52	40.23	55.00	95.00	-	-	-	Self-financing
Duolang Shichang Rock Mine of Tianshan Cement	36,956,882.10	3,152,885.09	-	36,956,882.10	-	-	-	40,109,467.19	98.07	59.31	59.00	-	-	-	Self-financing
Yili Jialubula Limestone Mine Project of Tianshan Cement	62,887,804.91	6,330,525.00	35,566,000.00	62,887,804.91	-	-	-	33,652,239.91	97.48	71.00	71.00	412,099.84	-	-	Self-financing and borrowing
Yeheg Tianshan Koyar Limestone Mine	8,192,795.20	15,217,880.86	-	8,192,795.20	-	-	-	23,410,676.06	41.65	56.21	57.00	-	-	-	Self-financing
Kuqa Hutong Bulake Mine	16,876,788.79	563,231.88	-	16,876,788.79	-	-	-	17,440,020.67	42.46	86.66	87.00	-	-	-	Self-financing
Hami Tianshan Sitan Limestone Mine	11,750,397.34	2,550.00	-	11,750,397.34	-	-	-	11,752,947.34	12.55	93.65	94.00	-	-	-	Self-financing
Turpan Tianshan Technical Reform Project	12,394,601.27	1,179,674.97	-	12,394,601.27	-	-	-	13,99	13.99	96.80	100.00	-	-	-	Self-financing
Luopu Tianshan Mine Project	12,202,602.07	108,490.56	-	12,202,602.07	-	-	-	14,02	14.02	96.80	100.00	-	-	-	Self-financing
Hamilton Tianshan Low-Temperature Waste Heat Power Generation and Bypass Ventilation Technical Reform Project	4,674,654.38	892,159.54	-	4,674,654.38	-	-	-	14,02	14.02	96.80	100.00	-	-	-	Self-financing
4500T Cement Clinker Production Line and Auxiliary 9MW Low-Temperature Cogeneration Project of Ningxia Building Materials	50,815,635.58	10,661,508.14	61,477,143.72	50,815,635.58	-	-	-	775.91	775.91	85.47	100.00	24,018,574.68	-	-	Self-financing and borrowing
Ningdong Flyash Fine and Deep Processing Project	25,858,363.43	15,684,366.94	41,542,730.37	25,858,363.43	-	-	-	114.02	114.02	36.43	50.00	-	-	-	Self-financing
Mining Production Line of Kharachin Grassland Cement Co., Ltd.	24,253,123.06	8,946,884.93	33,199,977.99	24,253,123.06	-	-	-	43.79	43.79	75.82	100.00	-	-	-	Self-financing
Cement Kiln Co-processing Domestic Waste Project of Anhui Cement	-	63,335,311.85	-	-	-	-	-	63,335,311.85	105.71	59.92	59.92	-	-	-	Self-financing
Production Line of Sinoma Hong Kong Zambia Project	-	40,210,316.94	-	-	-	-	-	40,210,316.94	726.30	5.54	5.54	2,637,957.35	2,637,957.35	LIBOR+270BP	Loan
Breaking Project of Anhui Cement	-	20,958,702.45	-	-	-	-	-	20,958,702.45	40.49	51.77	51.77	-	-	-	Self-financing
Raw Mill Project of Sinoma Hengda	34,187,807.38	3,972,431.68	38,160,239.06	34,187,807.38	-	-	-	54.53	54.53	69.98	77.49	-	-	-	Self-financing
Reform of Out-of-mill System for Nos. 1 and 2 Cement Mills of Sinoma Cement	17,217,312.02	4,727,459.49	21,944,771.51	17,217,312.02	-	-	-	22.50	22.50	97.53	100.00	-	-	-	Self-financing
F04 - 2*100,000t/yr Alkali-Free Glass Fiber Tank-Kiln Drawing Production Line Project	-	500,607,051.26	-	-	-	-	-	500,607,051.26	1,124.92	46.05	46.05	18,442,055.45	18,442,055.45	4.90	Self-financing and borrowing
Multiaxial Project of New Park of Taishan Fiberglass	79,554,197.61	7,083,985.06	-	79,554,197.61	-	-	-	86,638,182.67	200.00	45.58	46.00	2,664,143.28	2,664,143.28	-	Self-financing and borrowing
F05 - 50,000t/yr Glass Fiber Kiln Production Line and Supporting Project	-	62,859,985.85	-	-	-	-	-	62,859,985.85	836.80	7.51	7.51	-	-	-	Self-financing
F03 Project - 100,000t/yr Alkali-Free Glass Fiber Tank-Kiln Drawing Production Line Project	254,495,661.31	448,031,153.00	654,282,314.31	254,495,661.31	-	-	-	48,244,500.00	1,305.22	95.00	95.00	19,951,529.01	19,951,529.01	4.90	Self-financing and borrowing

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in progress (Continued)

(2) Changes in major projects under construction (Continued)

Project name	As at 31/12/2015	Increase in this year	Decrease in this year		As at 31/12/2016	Budgets (RMB million)	Proportion of project investment in the budget (%)	Progress (%)	Accumulated capitalized interest	Including: amount of capitalized interest in current year	Capitalization rate of interest in current year (%)	Source of funding
			Transferred to fixed assets	Others								
50,000 t/a Twist auxiliary workshop	759,087,975.67	125,570,018.55	837,078,150.87	-	47,587,843.35	1,266.62	80.75	46,223,004.33	6,462,655.66	6.00	Self-financing via borrowing	
Cold Repair, Capacity Expansion and Reconstruction Project of 2# Spun Yarn Production Line	57,379,216.24	-	-	23,053,428.52	34,325,789.72	100.00	34.33	-	-	-	Self-financing	
Line 3 Cold Repair and Reconstruction Project (3#/# Line Cold Repair and Reconstruction to Create Two 80,000 tons Production Lines)	383,018.86	32,816,105.63	-	-	33,199,124.49	805.76	4.12	-	-	-	Self-financing	
Expansion Project of Multi-Axial Warp Knitting Fabric Production Line for 2#NW Wind Turbine Blades	-	32,537,699.40	-	-	32,537,699.40	46.28	70.31	-	-	-	Self-financing	
4000t Industrial Project of Sinoma Science & Technology	88,150.94	20,389,713.18	-	-	20,472,864.12	46.00	45.00	80,655.51	80,655.51	4.48	Self-financing and borrowing	
New Industrial Park Project of Taishan Fiberglass	37,375,972.35	-	-	191,46,548.35	18,229,424.00	2,533.33	95.00	18,610,847.72	-	-	Self-financing and borrowing	
31 Technical Reform of Sinoma Science & Technology Building Project of 20,000,000 m ² /a Lithium Battery Diaphragm of Sinoma Science & Technology	17,903,049.38	13,005,455.15	29,597,901.00	-	1,310,003.53	29.40	95.00	-	-	-	Self-financing	
Sinoma Blade Beijing-Tianjin-Hebei Integration Project	73,419,543.10	18,454,786.02	91,874,329.12	-	-	89.08	100.00	950,482.08	-	-	Self-financing and borrowing	
One-step Method Test Platform Project of Sinoma Science & Technology	60,688,072.29	2,655,155.76	63,341,228.05	-	-	98.43	100.00	-	-	-	Self-financing	
Glass Fabric Processing Unit (GFN Unit) Installation Project	391,159,382.78	4,340,229.21	17,585,233.84	25,914,578.15	-	42.40	108.03	-	-	-	Self-financing	
Infrastructure Construction of Wind Power Blade Industrial Base of Sinoma Science & Technology in Central Region	15,410,765.55	17,000.00	15,427,765.55	-	-	15.42	100.00	-	-	-	Self-financing	
Construction Project of Parent Glass R&D Building and Complex Building of Sinoma Advanced	5,767,108.50	1,128,504.64	6,895,613.14	-	-	94.10	100.00	-	-	-	Self-financing	
80,000 t/a Alkali-Free Glass Fiber Production Line Technical Improvement Project	22,703,575.08	478,230.56	-	-	23,181,805.64	23.85	97.54	-	-	-	Self-financing	
4500T/D New Dry Method Cement Production Line Project of Wushan	1,993,449.47	116,502,118.98	420,122.72	-	118,075,445.73	614.11	19.23	2,869,850.92	2,869,850.92	5.15	Self-financing and borrowing	
Gulang 2# Cement Mill New Roller Press System	-	26,740,525.03	-	-	26,740,525.03	34.92	76.58	-	-	-	Self-financing	
4.5 Mw Waste Heat Power Generation of Wenxian Qilianshan Cement Co., Ltd.	-	24,416,644.73	-	-	24,416,644.73	38.00	64.25	506,914.05	506,914.05	5.02	Self-financing	
Energy Conservation and Emission Reduction, i.e. Comprehensive Resource Utilization of Qilianshan Yumen 2# 4500t/d New Dry Method Cement Production Line	19,717,182.78	2,099,928.41	-	-	21,817,111.19	818.86	2.67	-	-	-	Self-financing	
1,200,000 t/a Dry Method Cement Production Line in Tibet	9,540,731.06	2,155,471.50	-	-	11,696,202.56	806.00	1.45	-	-	-	Self-financing	
Total	1,816,183,305.56	1,740,812,616.46	1,979,845,704.04	68,114,555.02	1,509,035,662.96	-	-	137,368,114.22	49,075,644.54	-	-	

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**17. Construction in progress (Continued)****(3) Provision for impairment of construction in progress in this year**

Item	Withdrawal in this year	Reason for provision
Emin Tianshan 3000t Cement Production Line Project	4,661,662.03	Project suspension
Qiejingou Mine Project	709,076.32	Project suspension
ZCJJ (2015) – Special Drawing	43,116.85	Elimination of production line
ZCJJ (2015) – Logistics Line Transformation	51,569.17	Appraisal depreciation
ZCJJ (2015) – High Pressure Air Compressor Oil Removal Project	36,652.49	Appraisal depreciation
Low-Temperature Storage Tank Technical Reform Project	358,007.98	Appraisal depreciation
Technical Reform Project of Changyang Street Factory Production Line Expansion Project of 120,000 Fiber Reinforced Thermoplastic Composite Engine Parts 100,000t of Pickled Quartz Sand	119,658.14	Projects suspension
	878,540.94	Idle
	1,972,268.12	Not started for long term
Total	8,830,552.04	—

18. Intangible assets**(1) Breakdown**

Item	Land use right	Non-patent technology	Mining right	Software	Trademark	Others	Total
I. Original book value							
1. As at 31/12/2015	4,324,337,215.50	487,037,476.41	924,138,704.31	149,819,247.72	53,391,750.60	99,735,168.51	6,038,459,563.05
2. Increase in current year	109,646,317.02	70,638,411.55	187,380,405.61	30,184,535.19	2,459,593.80	5,615,233.20	405,924,496.37
(1) Purchase	109,646,317.02	3,281,465.75	187,380,405.61	37,937,865.50	–	–	338,246,053.88
(2) Internal R&D	–	57,479,269.76	–	–	–	–	57,479,269.76
(3) Others (exchange rate)	–	9,877,676.04	–	-7,753,330.31	2,459,593.80	5,615,233.20	10,199,172.73
3. Decrease in current year	13,446,030.15	6,923,828.08	821,000.00	12,830,036.75	–	6,300.00	34,027,194.98
(1) Disposal	7,635,431.62	6,923,828.08	821,000.00	12,806,836.75	–	6,300.00	28,193,396.45
(2) Transferred to investment property	2,720,197.53	–	–	–	–	–	2,720,197.53
(3) Decrease due to combination	3,090,401.00	–	–	23,200.00	–	–	3,113,601.00
4. As at 31/12/2016	4,420,537,502.37	550,752,059.88	1,110,698,109.92	167,173,746.16	55,851,344.40	105,344,101.71	6,410,356,864.44
II. Accumulated amortization							
1. As at 31/12/2015	584,984,594.50	216,975,754.94	325,295,702.36	77,756,844.60	19,883,403.00	30,506,466.67	1,255,402,766.07
2. Increase in current year	107,633,264.15	68,124,994.89	63,974,456.34	20,126,511.79	2,062,873.16	11,531,895.48	273,453,995.81
(1) Provision	107,633,264.15	65,122,394.41	63,974,456.34	19,688,195.74	3,612,499.50	10,782,380.36	270,813,190.50
(2) Others (exchange rate)	–	3,002,600.48	–	438,316.05	-1,549,626.34	749,515.12	2,640,805.31
3. Decrease in current year	1,634,513.20	6,901,039.02	405,989.06	366,959.82	–	–	9,308,501.10
(1) Disposal	1,072,941.60	6,901,039.02	405,989.06	357,293.32	–	–	8,737,263.00
(2) Transferred to investment property	256,907.36	–	–	–	–	–	256,907.36
(3) Decrease due to combination	304,664.24	–	–	9,666.50	–	–	314,330.74
4. As at 31/12/2016	690,983,345.45	278,199,710.81	388,864,169.64	97,516,396.57	21,946,276.16	42,038,362.15	1,519,548,260.78
III. Impairment provision							
1. As at 31/12/2015	19,390,044.28	23,745,754.85	8,929,703.09	–	–	3,384,400.00	55,449,902.22
2. Increase in current year	–	16,500,353.43	–	16,344.49	–	–	16,516,697.92
Provision	–	16,500,353.43	–	16,344.49	–	–	16,516,697.92
3. Decrease in current year	–	–	–	–	–	–	–
Disposal	–	–	–	–	–	–	–
4. As at 31/12/2016	19,390,044.28	40,246,108.28	8,929,703.09	16,344.49	–	3,384,400.00	71,966,600.14
IV. Book value							
1. Book value as at 31/12/2016	3,710,164,112.64	232,306,240.79	712,904,237.19	69,641,005.10	33,905,068.24	59,921,339.56	4,818,842,003.52
2. Book value as at 31/12/2015	3,719,962,576.72	246,315,966.62	589,913,298.86	72,062,403.12	33,508,347.60	65,844,301.84	4,727,606,894.76

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Intangible assets (Continued)

(2) Land use right in the process of title certificate handling

Item	Book value as at 31/12/2016	Book value as at 31/12/2015	Reason
Land occupied by Wuhai Xishui assets	3,127,192.41	3,202,293.36	In progress
Land use right of Sinoma Chuzhou Cement	3,149,603.71	3,263,270.71	In progress
Liangshan Industrial Park in Nanzheng County, Hanzhong City, Shaanxi Province	5,900,782.36	6,026,253.40	In progress
Land of Sinoma Science & Technology (Chengdu) Co., Ltd.	8,274,823.49	8,445,455.26	In progress
Land use right of Jiangsu Solar Energy	4,649,666.60	4,729,833.30	In progress
Land use right of Pingliang Qilianshan	3,411,993.42	3,893,330.23	In progress
Land use right of Xiahe Qilianshan Anduo Company	9,254,326.96	9,474,668.07	In progress
Total	37,768,388.95	39,035,104.33	

The above properties were obtained in accordance with the relevant legal agreements, the Board of Directors of the Company believes that the property transfer does not have substantial legal impediments. Therefore, it does not materially affect the normal operation of the Group; there is no need to withdraw the impairment provision of intangible assets.

(3) See VI.62 Assets with title restrictions in the Notes for details of intangible assets pledged for borrowings at the end of the year.

19. Development expenditures

Item	As at 31/12/2015	Increase in current year			Decrease in current year			As at 31/12/2016
		Expenditure of internal development	Others	Amount recognized as intangible assets	Amount transferred to current profit or loss	Others		
Secret-associated Project of Sinoma Science & Technology	40,644,061.62	133,837,566.42	-	55,848,197.17	23,380,358.61	724,439.40	94,528,632.86	
Joint Study on Preparation Technology of Inorganic Anti-pollution Flashover hydrophobic Coat of Sinoma Advanced	-	5,674,699.02	1,101,165.00	-	-	-	6,775,864.02	
Technical Development of Cylinder-Head DC 530KN Suspension Porcelain Insulator of Sinoma Advanced	-	5,287,921.35	-	-	-	-	5,287,921.35	
Development of Quartz Roller for TFT Substrate and Annealing Furnace of Sinoma Advanced	-	1,631,072.59	-	1,631,072.59	-	-	-	
Total	40,644,061.62	146,431,259.38	1,101,165.00	57,479,269.76	23,380,358.61	724,439.40	106,592,418.23	

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Goodwill

(1) Original value

Investee entities	As at 31/12/2015	Increase in current year		Decrease in current year		As at 31/12/2016
		Formed by business combination	Others	Disposal	Others	
Anhui Jieyuan Environmental Protection Technology Co., Ltd.	704,880,065.68	-	-	-	-	704,880,065.68
HAZEMAG & EPR GmbH	460,312,581.29	-	13,727,892.41	-	-	474,040,473.70
LNV Technology Pvt. Ltd.	57,764,891.11	-	165,435.93	-	-	57,930,327.04
Pradhan Mercantile Pvt. Ltd.	3,810,896.12	-	-	-	-	3,810,896.12
Yixing Tianshan Cement Co., Ltd.	31,786,469.79	-	-	-	-	31,786,469.79
Xinjiang Tianshan Building Material Testing Co., Ltd.	698,738.04	-	-	-	-	698,738.04
Wuhai Xishui Cement Co., Ltd.	4,577,989.16	-	-	-	-	4,577,989.16
Tianshui Huajian Concrete Engineering Co., Ltd.	1,002,082.33	-	-	-	-	1,002,082.33
Shandong Taishan Composite Materials Co., Ltd.	22,867,669.65	-	-	-	-	22,867,669.65
Gansu Qilianshan Cement Group Co., Ltd.	258,907,043.13	-	-	-	-	258,907,043.13
Gansu Qilianshan Building Materials Holdings Co., Ltd.	155,967,544.65	-	-	-	-	155,967,544.65
Xiahe Qilianshan Anduo Cement Co., Ltd.	145,289,337.18	-	-	-	-	145,289,337.18
Gansu Zhangye Julong Building Material Co., Ltd.	26,013,505.51	-	-	-	-	26,013,505.51
Jiugang (Group) Hongda Building Materials Co., Ltd.	21,987,055.06	-	-	-	-	21,987,055.06
Yongdeng Qilianshan Cement Co., Ltd.	17,916,741.21	-	-	-	-	17,916,741.21
Longnan Qilianshan Cement Co., Ltd.	15,070,549.46	-	-	-	-	15,070,549.46
Tianshui Qilianshan Cement Co., Ltd.	10,260,776.72	-	-	-	-	10,260,776.72
Gansu Gulangxia Cement Co., Ltd.	7,220,241.61	-	-	-	-	7,220,241.61
Honggu Qilianshan Cement Co., Ltd.	6,746,708.34	-	-	-	-	6,746,708.34
Gangu Qilianshan Cement Co., Ltd.	4,707,137.27	-	-	-	-	4,707,137.27
Lanzhou Qilianshan Concrete Engineering Co., Ltd.	2,157,744.42	-	-	-	-	2,157,744.42
Tianshui Qilianshan Cement Sales Co., Ltd.	484,569.34	-	-	-	-	484,569.34
Total	1,960,430,337.07	-	13,893,328.34	-	-	1,974,323,665.41

(2) Provision for impairment of goodwill

Investee entities	As at 31/12/2015	Increase in current year		Decrease in current year		As at 31/12/2016
		Charge amount	Others	Disposal	Others	
HAZEMAG & EPR GmbH (Note 1)	-	124,263,094.20	-	-	-	124,263,094.20
LNV Technology Pvt. Ltd.	57,764,891.11	-	-	-	-	57,764,891.11
Yixing Tianshan Cement Co., Ltd. (Note 2)	9,067,864.14	1,514,744.39	-	-	-	10,582,608.53
Wuhai Xishui Cement Co., Ltd.	4,577,989.16	-	-	-	-	4,577,989.16
Gansu Qilianshan Cement Group Co., Ltd.	70,652,923.19	-	-	-	-	70,652,923.19
Gansu Qilianshan Building Materials Holdings Co., Ltd.	32,260,514.41	-	-	-	-	32,260,514.41
Xiahe Qilianshan Anduo Cement Co., Ltd.	120,805,700.00	-	-	-	-	120,805,700.00
Tianshui Qilianshan Cement Co., Ltd.	10,260,776.72	-	-	-	-	10,260,776.72
Gansu Gulangxia Cement Co., Ltd.	7,220,241.61	-	-	-	-	7,220,241.61
Honggu Qilianshan Cement Co., Ltd.	3,253,374.14	-	-	-	-	3,253,374.14
Tianshui Qilianshan Cement Sales Co., Ltd.	484,569.34	-	-	-	-	484,569.34
Total	316,348,843.82	125,777,838.59	-	-	-	442,126,682.41

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Goodwill (Continued)

(2) Provision for impairment of goodwill (Continued)

At the end of the year, the impairment test was conducted for goodwill arose from acquisition of all subsidiaries by the Group. In addition to the following two goodwill, the other goodwill has not been significantly impaired through the test.

Note 1: Sinoma International, a second-level company of the Group, has been made an impairment test by the Group at the end of the year to goodwill arose from purchasing HAZEMA, a German company, previous year and combined HAZEMAG as an assets group according to the Equity Valuation Report of All of HAZEMAG & EPR GmbH Shareholders (ZHPZZ (2017) No. BJU2001) issued by Zhonghe Appraisal Co., Ltd. According to the assets portfolio's past performances and their future business expectations, Sinoma International has estimated their future cash flows respectively, and calculated that the recoverable value of the assets group portfolio is EUR141,786,100, by discounting on the basis of each asset group's corresponding discount rate (ranging from 6.5% to 15%). Compared with the book value of EUR 170,566,700 of the assets group portfolio including goodwill of all shareholders, the goodwill impairment is worth EUR28,780,700. Since the shareholding proportion of Sinoma International is 59.09%, the goodwill impairment provision shall be EUR17,006,500, equal to RMB124,263,094.20 according to the year-end exchange rate.

Note 2: Tianshan Cement, a second-level company of the Group, has been made an impairment test by the Group at the end of the year to goodwill arose from purchasing Yixing Tianshan in 2008. According to the Evaluation Report of Impairment Test on goodwill arose from Xinjiang Tianshan Cement Co., Ltd. proposing to merge Yixing Tianshan Cement Co., Ltd. (BJYCPBZ [2017] No. A042-4) issued by Beijing Yachao Assets Appraisals Co., Ltd., Yixing Tianshan was taken as a portfolio of assets groups. According to the past performances and their future business expectations of the portfolio, Tianshan Cement has estimated their future cash flows respectively, and calculated that the recoverable value of the assets group portfolio is RMB352,702,474.01, by discounting on the basis of corresponding discount rate (11.93%). Compared with the book value of RMB354,217,218.40 of the assets group portfolio including goodwill of all shareholders, the goodwill impairment is worth RMB1,514,744.39.

21. Long-term prepayments

Item	As at 31/12/2015	Increase in current year	Amortization in current year	Other decreases in current year	As at 31/12/2016
Project agency fee (Note)	129,788,046.44	-	65,931,275.35	-	63,856,771.09
Compensation fees	310,875,573.16	71,395,012.24	34,009,106.52	-	348,261,478.88
Construction cost	63,303,027.72	1,866,587.00	15,997,580.80	1,232,794.50	47,939,239.42
Improvement expenditures of fixed assets	25,679,074.35	3,082,140.47	13,939,197.54	-	14,822,017.28
House decoration cost	18,100,438.12	974,261.22	3,071,706.98	-	16,002,992.36
Quarry site stripping fee	38,446,246.37	10,943,213.04	6,837,003.78	-	42,552,455.63
Handling charge for Letter of Guarantee	2,835,571.03	52,955,793.75	9,617,867.80	-	46,173,496.98
Reconstruction cost of environmental protection area	57,091,321.56	280,000.00	1,820,056.79	-	55,551,264.77
Others	42,638,426.84	40,770,467.93	31,866,025.36	1,711,852.34	49,831,017.07
Total	688,757,725.59	182,267,475.65	183,089,820.92	2,944,646.84	684,990,733.48

Note: Sinoma International (a second-level company of the Group) draws payable project agency fees as per agency fee contract and nature of each project and includes the fees in construction cost within the benefit period of the agency fees (project construction period) by using straight-line depreciation.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Deferred income tax assets and liabilities

(1) *Deferred income tax assets not offset*

Item	As at 31/12/2016		As at 31/12/2015	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	2,747,165,327.85	483,553,957.16	2,469,785,097.62	411,487,504.12
Internal sales profit not realized	1,008,131,098.65	253,931,705.54	1,075,187,920.05	254,053,181.76
Deferred income	200,137,392.90	33,892,227.95	200,521,166.86	33,908,706.96
Depreciation of fixed assets	278,781,687.86	45,440,130.36	236,426,173.21	36,962,630.76
Employee benefits	306,813,559.34	56,629,794.57	264,760,103.65	48,503,140.67
Special reserve	22,286,266.68	4,073,918.49	25,345,461.36	4,416,087.96
Special payables	33,959,409.71	5,093,911.46	33,959,409.73	5,093,911.46
Provisions	218,235,568.37	40,432,054.38	185,308,288.62	33,695,736.75
Estimated value of trading financial instruments and derivative financial instruments	2,562,715.43	791,622.80	9,142,168.24	1,779,248.27
Accrued expense	95,124,838.17	14,268,725.72	69,046,284.83	10,538,338.02
Appraisal depreciation	71,850,500.94	17,962,625.24	78,846,995.98	19,711,748.96
Amortization of intangible assets	42,781,061.35	6,417,159.20	34,213,555.84	5,132,033.38
Non-deductible losses	286,764,297.54	78,282,015.53	272,847,053.81	75,580,572.09
Others	-	-	862,362.77	130,417.99
Total	5,314,593,724.79	1,040,769,848.40	4,956,252,042.57	940,993,259.15

(2) *Deferred income tax liabilities not offset*

Item	As at 31/12/2016		As at 31/12/2015	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Estimated value of trading financial instruments and derivative financial instruments	-	-	2,856,000.00	428,400.00
Changes in fair value of available-for-sale financial assets included in other comprehensive income	2,087,106,021.52	503,141,889.88	2,475,634,512.63	581,567,868.93
Assessment appreciation	1,180,008,516.32	261,131,718.74	1,230,986,227.64	298,720,149.08
Others	1,450,331.88	362,582.97	1,556,238.52	389,059.63
Total	3,268,564,869.72	764,636,191.59	3,711,032,978.79	881,105,477.64

23. Other non-current assets

Item	As at 31/12/2016	As at 31/12/2015
Temporary facility	97,469,981.66	201,862,082.74
Factory relocation project	39,147,337.52	38,885,408.41
Prepayment for land use right	27,291,000.00	-
Others	4,964,190.75	-
Total	168,872,509.93	240,747,491.15

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Short-term borrowings

(1) Classification

Category of borrowings	As at 31/12/2016	As at 31/12/2015
Pledge borrowings	10,000,000.00	71,821,532.04
Mortgage borrowings	304,000,000.00	539,298,040.19
Guaranteed borrowings	3,439,840,000.00	5,025,512,252.14
Credit borrowings	7,590,856,714.05	6,672,335,494.31
Total	11,344,696,714.05	12,308,967,318.68

Note: See VI.62 Assets with title restrictions in the Notes for details of pledged assets for borrowings.

(2) Classification of short-term borrowings by rate types

Item	As at 31/12/2016	Rate range
Fixed rate borrowing	8,079,446,714.05	1.00%-9.65%
Floating rate borrowing	3,265,250,000.00	3.365%-6.1%
Total	11,344,696,714.05	-

25. Financial liabilities at fair value through profit or loss

Item	As at 31/12/2016	As at 31/12/2015
Trading financial liabilities	2,562,715.43	9,142,168.24
Including: forward foreign exchange contract	2,562,715.43	9,142,168.24
Total	2,562,715.43	9,142,168.24

26. Bills payable

Classification	As at 31/12/2016	As at 31/12/2015
Bank acceptance bills	4,235,223,582.60	3,947,514,481.30
Commercial acceptance bills	28,877,510.29	634,359.63
Total	4,264,101,092.89	3,948,148,840.93

Note: The account age of notes payable by the Group at the end of the year is within 6 months.

27. Accounts payable

(1) Accounts payable listed by age

Aging analysis of accounts payable presented based on the invoice date is as follows:

Item	As at 31/12/2016	As at 31/12/2015
Within 1 year	9,024,486,899.30	8,292,693,901.96
1-2 years	2,106,666,048.91	3,698,136,293.45
2-3 years	930,368,139.26	500,627,327.10
Over 3 years	722,602,910.13	263,990,692.43
Total	12,784,123,997.60	12,755,448,214.94

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**27. Accounts payable (Continued)****(2) Significant accounts payable aged over 1 year**

Name	As at 31/12/2016	Reasons for not repaying or carrying forward
Zhenjiang No. 4 Construction Group Co., Ltd.	30,826,174.48	Undue settlement
FUTURE CONSULTANCY	28,763,453.26	Undue settlement
Sichuan Najian Building Engineering Co., Ltd.	25,087,713.08	Undue settlement
Liyang Shenma Mechanical & Electrical Equipment Installation Co., Ltd.	20,291,318.29	Undue settlement
Beijing Yuejitongli Machinery Manufacturing Co., Ltd.	19,199,758.03	Undue settlement
Total	124,168,417.14	—

28. Accounts received in advance**(1) Accounts received in advance listed by age**

Item	As at 31/12/2016	As at 31/12/2015
Within 1 year	7,473,131,637.35	7,958,576,580.03
1-2 years	1,605,223,008.83	1,500,364,832.38
2-3 years	459,254,937.36	582,436,812.39
Over 3 years	777,508,984.09	563,809,272.49
Total	10,315,118,567.63	10,605,187,497.28

(2) Significant accounts received in advance aged over 1 year

Company name	As at 31/12/2016	Reasons for not repaying or carrying forward
DANGOTE CEMENT PLC,IBESE	639,930,391.54	Unsettled
SYRIA United Cement Group	180,267,642.87	Unsettled
Xinjiang Yili River Basin Development and Construction Administration	151,989,584.00	Unsettled
Al Badia Cement (JSC)	151,071,335.38	Unsettled
Closed Joing Stock Company	117,030,296.07	Unsettled
UCG Cement Plant(Syria)	116,477,254.48	Unsettled
UNICEM Cement Company (Nigeria)	105,789,370.55	Unsettled
Total	1,462,555,874.89	—

(3) Payment of settled but not completed construction contract formed by construction contracts at the year end

Item	Amount
Settled amount	22,774,844,676.66
Less: incurred gross costs	19,046,350,113.73
Recognized gross profit	1,606,675,384.30
Estimated loss	—
Payment of settled but not completed construction contract formed by construction contracts	<u>2,121,819,178.63</u>

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Employee benefits payable

(1) Classification

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Short-term remuneration	664,876,086.94	5,251,737,004.49	5,120,160,779.62	796,452,311.81
Post-employment benefits-defined contribution plan	27,748,139.89	535,537,136.36	534,205,845.19	29,079,431.06
Termination benefits	26,550,383.33	41,209,329.32	39,835,957.07	27,923,755.58
Total	719,174,610.16	5,828,483,470.17	5,694,205,581.88	853,455,498.45

(2) Short-term remuneration

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Salary, bonus, allowance and subsidy	467,907,358.07	4,293,566,342.73	4,194,542,164.83	566,931,535.97
Employee welfare expenses	223,104.34	237,853,824.63	232,607,868.57	5,469,060.40
Social insurance premiums	7,842,050.18	283,171,827.87	280,713,252.09	10,300,625.96
Including: medical insurance premiums	6,304,961.28	237,135,698.43	236,145,358.12	7,295,301.59
Work-related injury insurance premiums	838,167.37	30,749,164.79	29,490,558.94	2,096,773.22
Maternity insurance premium	698,921.53	13,995,914.94	13,786,285.32	908,551.15
Housing funds	14,550,604.67	278,177,003.02	275,454,558.75	17,273,048.94
Labour union expenditure & personnel education fund	168,251,249.46	89,447,061.09	72,109,375.40	185,588,935.15
Others	6,101,720.22	69,520,945.15	64,733,559.98	10,889,105.39
Total	664,876,086.94	5,251,737,004.49	5,120,160,779.62	796,452,311.81

(3) Defined contribution plan

The Group participated in the social insurance program established by government agencies in accordance with the provisions. According to the program, the Group has paid the fees in accordance with the relevant provisions of the local government. The Group undertakes no further obligations except payment of the above expenses. Corresponding expenditures shall be counted in current profit and loss or relevant asset costs.

The Group shall pay the fees for endowment insurance, unemployment insurance and annuity plan in the current year as follows:

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Basic pension	20,941,690.66	487,649,763.69	485,937,090.61	22,654,363.74
Unemployment insurance expense	6,696,549.23	28,833,665.32	29,416,820.08	6,113,394.47
Enterprise annuity	109,900.00	19,053,707.35	18,851,934.50	311,672.85
Total	27,748,139.89	535,537,136.36	534,205,845.19	29,079,431.06

The Group shall pay the fees of RMB 535,537,136.36 (in 2015: RMB 569,746,277.34) for the defined contribution plan in the current year. At the end of the year, the Group's fee payable of RMB 29,079,431.06 (at the beginning of the year: RMB 27,748,139.89) was due and unpaid, and the relevant fee payable has been paid after the date noted in the balance sheet.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**30. Taxes payable**

Item	As at 31/12/2016	As at 31/12/2015
Value-added tax (VAT)	193,539,781.87	155,308,994.21
Business tax	11,737,302.78	100,738,380.19
Corporate income tax	271,542,782.45	239,825,990.60
Individual income tax	14,006,603.46	19,140,404.74
City maintenance and construction tax	11,850,699.80	15,863,170.39
Resource tax	32,064,589.02	28,321,949.76
Property tax	18,420,142.19	15,157,950.10
Land use tax	29,741,408.93	25,872,731.63
Educational surcharge	10,570,173.28	13,145,314.54
Mineral resources compensation	7,735,294.44	10,833,056.19
Others	15,976,027.57	16,903,041.70
Total	617,184,805.79	641,110,984.05

31. Interest payable

Item	As at 31/12/2016	As at 31/12/2015
Interest of long-term borrowings for which interest to be paid in installment, principal to be paid when due	15,194,724.13	1,126,677.80
Bond interest	225,876,446.55	246,070,102.45
Interest payable of short-term borrowings	4,309,205.64	10,530,269.12
Long-term borrowing interest	2,051,914.95	29,843,857.29
Total	247,432,291.27	287,570,906.66

32. Dividend payable**(1) Details**

Item	As at 31/12/2016	As at 31/12/2015
Ordinary share dividend	132,117,503.90	221,536,460.30
Total	132,117,503.90	221,536,460.30

(2) Dividends distribution of the Company

Item	Amount per share (tax inclusive)	Total amount (tax inclusive)
Dividends paid during the current year	0.03	107,143,920.00
Dividends declared to pay but unpaid yet during the current year	–	–
Dividends proposed during the current year	0.03	107,143,920.00
Total	0.06	214,287,840.00

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables

(1) Classification of other payables by nature

Nature	As at 31/12/2016	As at 31/12/2015
Project fund and quality guarantee deposit	33,705,230.95	7,601,157.46
Performance bond	171,556,702.95	300,550,779.40
Bid bond	102,892,216.36	108,713,546.16
Deposit	127,979,597.97	113,439,576.83
Employee housing subsidy	13,433,509.06	22,071,582.69
Investment funds	55,202,038.52	53,142,166.99
Agency fund	300,099,537.23	285,672,725.55
Intercourse funds	380,695,023.65	322,268,341.22
Others	121,036,230.19	208,173,749.10
Total	1,306,600,086.88	1,421,633,625.40

(2) Payables with significant amount and aged of over 1 year

Company name	As at 31/12/2016	Reasons for not repaying or carrying forward
Sinoma Trading Corporation Ltd.	83,338,832.38	Intercourse funds unpaid
Xiahe Anduo Investment Co., Ltd.	16,612,333.00	Business unsettled
Hunan Niuli Cement Co., Ltd.	13,000,000.00	Business unsettled
Wenxian Bureau of Finance	9,900,000.00	Post-disaster reconstruction fund
Lanzhou Jiafuyuan Food & Beverage Management Co., Ltd.	8,793,413.25	Business unsettled
Total	131,644,578.63	

34. Non-current liabilities due within one year

Item	As at 31/12/2016	As at 31/12/2015
Long-term borrowings due within one year	2,729,072,650.20	2,627,650,400.33
Long-term payables due within one year	169,344,743.58	138,924,958.60
Bonds payable due within one year	900,000,000.00	5,657,821,538.73
Total	3,798,417,393.78	8,424,396,897.66

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Other current liabilities

(1) Classification

Item	As at 31/12/2016	As at 31/12/2015
Government grants	65,072,980.24	46,846,147.30
Short-term financing bills	6,400,000,000.00	5,250,000,000.00
Lease payment of sale-leaseback assets due within one year	98,491,502.77	50,854,166.65
Total	6,563,564,483.01	5,347,700,313.95

(2) Short-term financing bills

Name of bills	Par value (RMB million)	Date of issue	Term of bills	Amount issued (RMB million)	As at 31/12/2015 (RMB million)	Amount issued in current year (RMB million)	Interest accrued at par value (RMB)	Repayment in current year (RMB million)	As at 31/12/2016 (RMB million)
15 Sinoma SCP003	1,250.00	2015-9-8	270 days	1,250.00	1,250.00	-	17,979,935.12	1,250.00	-
16 Sinoma SCP001	3,500.00	2016-5-13	270 days	3,500.00	-	3,500.00	85,586,666.65	-	3,500.00
16 Sinoma International Engineering SCP001	500.00	2016-7-14	270 days	500.00	-	500.00	8,425,000.00	-	500.00
15 Sinoma Engineering CP001	500.00	2015-7-20	366 days	500.00	500.00	-	9,175,000.00	500.00	-
15 Tianshan Cement SCP001	500.00	2015-4-23	270 days	500.00	500.00	-	1,182,348.99	500.00	-
15 Tianshan Cement SCP003	500.00	2015-7-31	270 days	500.00	500.00	-	6,755,531.10	500.00	-
15 Ningxia Building Materials CP001	500.00	2015-8-6	365 days	500.00	500.00	-	11,404,109.60	500.00	-
16 Sinoma Cement CP001	600.00	2016-2-1	365 days	600.00	-	600.00	20,586,885.24	-	600.00
16 Sinoma Cement SCP001	500.00	2016-6-3	270 days	500.00	-	500.00	12,082,191.77	-	500.00
16 Sinoma Cement SCP002	500.00	2016-10-13	270 days	500.00	-	500.00	2,849,315.07	-	500.00
15 Sinoma Cement CP001	500.00	2015-10-29	365 days	500.00	500.00	-	14,983,879.81	500.00	-
15 Sinoma Cement SCP001	500.00	2015-5-15	270 days	500.00	500.00	-	2,933,333.33	500.00	-
15 Sinoma Cement SCP002	500.00	2015-9-15	270 days	500.00	500.00	-	9,304,166.67	500.00	-
16 Taishan Fiberglass CP001	500.00	2016-8-26	365 days	500.00	-	500.00	6,089,041.01	-	500.00
15 Science & Technology SCP001	500.00	2015-12-3	180 days	500.00	500.00	-	9,073,770.49	500.00	-
16 Science & Technology SCP001	300.00	2016-2-16	180 days	300.00	-	300.00	4,632,786.89	300.00	-
16 Science & Technology SCP002	500.00	2016-4-21	180 days	500.00	-	500.00	10,504,109.59	500.00	-
16 Science & Technology SCP003	300.00	2016-10-26	270 days	300.00	-	300.00	1,576,700.00	-	300.00
Total	12,450.00	-	-	12,450.00	5,250.00	7,200.00	235,124,771.33	6,050.00	6,400.00

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Long-term borrowings

(1) Classification

Category	As at 31/12/2016	As at 31/12/2015
Pledge borrowings	239,670,000.00	76,500,000.00
Mortgage borrowings	1,958,374,415.10	1,246,036,800.00
Guaranteed borrowings	3,096,323,333.36	3,092,509,753.77
Credit borrowings	1,416,794,755.32	771,684,662.66
Total	6,711,162,503.78	5,186,731,216.43

Note: See VI.62 Assets with title restrictions in the Notes for details of pledged assets for borrowings.

(2) Analysis on maturity dates of long-term borrowings

Item	As at 31/12/2016		Total
	Bank borrowings	Other borrowings	
Within 1 year	–	–	–
Due within one to two years (including two years)	1,844,295,246.86	422,119,664.15	2,266,414,911.01
Due within two to five years (including 5 years)	3,183,280,575.83	313,450,350.14	3,496,730,925.97
More than 5 years	948,016,666.80	–	948,016,666.80
Total	5,975,592,489.49	735,570,014.29	6,711,162,503.78

Item	As at 31/12/2015		Total
	Bank borrowings	Other borrowings	
Within 1 year	–	–	–
Due within one to two years (including two years)	2,034,588,088.88	296,726,500.00	2,331,314,588.88
Due within two to five years (including 5 years)	2,049,547,272.71	1,700,000.00	2,051,247,272.71
More than 5 years	804,169,354.84	–	804,169,354.84
Total	4,888,304,716.43	298,426,500.00	5,186,731,216.43

(3) Classification of long-term borrowings by rate types

Item	As at 31/12/2016	Rate range
Fixed rate borrowing	2,564,899,746.15	1.2%-13%
Floating rate borrowing	4,146,262,757.63	3.9%-7.61%
Total	6,711,162,503.78	–

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Bonds payable

(1) Classification

Item	As at 31/12/2016	As at 31/12/2015
Corporation bonds	1,596,119,409.53	-
Medium-term notes	4,100,000,000.00	9,757,821,538.73
Less: bonds payable due within one year	900,000,000.00	5,657,821,538.73
Total	4,796,119,409.53	4,100,000,000.00

(2) Analysis on maturity dates of bonds payable

Item	As at 31/12/2016	As at 31/12/2015
Due within one to two years	200,000,000.00	900,000,000.00
Due within two to five years	4,596,119,409.53	3,200,000,000.00
Due more than 5 years	-	-
Total	4,796,119,409.53	4,100,000,000.00

(3) Increase and decrease of bonds payable

Name of bills	Total par value (RMB million)	Date of issue	Term of bills	Amount issued (RMB million)	As at 31/12/2015 (RMB million)	Amount issued in current year (RMB million)	Interest accrued at par value	Amortization of premiums and discounts	Repayment in current year (RMB million)	Ending reclassification (RMB million)	As at 31/12/2016 (RMB million)
15 Sinoma MTN001	2,500.00	2015-8-14	5 years	2,500.00	2,500.00	-	108,483,870.97	-	-	-	2,500.00
09 Sinoma debt	2,500.00	2009-7-29	7 years	2,482.50	2,498.30	-	78,750,000.00	-	2,498.30	-	-
11 Xintianshan MTN1	800.00	2011-11-23	5 years	800.00	800.00	-	42,753,333.34	-	800.00	-	-
13 Xintianshan MTN1	500.00	2013-6-6	3 years	500.00	500.00	-	11,601,545.02	-	500.00	-	-
12 Ningxia Building Materials MTN1	900.00	2012-8-15	5 years	900.00	900.00	-	50,489,999.98	-	-	900.00	-
16 Ningxia Building Materials Bonds	500.00	2016-10-21	3 years	500.00	-	500.00	3,500,000.00	-	-	-	500.00
16 Sinoma Cement MTN001	400.00	2016-11-14	3 years	400.00	-	400.00	1,484,383.56	-	-	-	400.00
11 Sinoma Cement MTN1	500.00	2011-10-19	5 years	500.00	500.00	-	29,216,074.66	-	500.00	-	-
11 Taishan Fiberglass MTN1	660.00	2011-4-21	5 years	658.11	659.52	-	13,552,000.00	-	659.52	-	-
16 Taishan Fiberglass debt	700.00	2016-9-6	5 years	700.00	-	695.67	8,052,333.33	449,409.53	-	-	696.12
11 Qilianshan Cement MTN1	700.00	2011-10-25	5 years	700.00	700.00	-	55,930,000.00	-	700.00	-	-
14 Qilianshan MTN001	500.00	2014-8-20	5 years	500.00	500.00	-	33,650,000.00	-	-	-	500.00
15 Qilianshan MTN001	100.00	2015-9-15	3 years	100.00	100.00	-	5,020,000.00	-	-	-	100.00
15 Qilianshan MTN002	100.00	2015-9-15	3 years	100.00	100.00	-	5,020,000.00	-	-	-	100.00
Total	11,360.00	-	-	11,340.61	9,757.82	1,595.67	447,503,540.86	449,409.53	5,657.82	900.00	4,796.12

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Long-term payables

(1) Classification of long-term payables by nature

Nature	As at 31/12/2016	As at 31/12/2015
Project agency fee	98,268,874.09	138,211,089.87
Allowance for staff	394,986,037.40	428,272,194.00
Finance lease	293,970,167.45	386,096,475.33
Including: within 1 year	159,715,445.95	137,557,275.43
1-2 years	133,344,334.10	236,471,939.06
2-5 years	910,387.40	12,067,260.84
Over 5 years	–	–
Payment for mining concession	24,363,972.09	–
Other items	10,115,617.59	11,096,993.73
Less: long-term payables due within one year	169,344,743.58	138,924,958.60
Total	652,359,925.04	824,751,794.33

(2) Classification of finance lease by rate types

Item	As at 31/12/2016	Rate range
Fixed rate borrowing	202,494,978.10	4.28%
Floating rate borrowing	91,475,189.35	4.75%-6.73%
Total	293,970,167.45	–

39. Long-term employee benefits payable

(1) Classification

Item	As at 31/12/2016	As at 31/12/2015
Net liabilities of post-employment benefits – defined benefit plan	219,674,719.67	229,743,310.21
Termination benefits	44,700,000.00	43,900,811.03
Other long-term benefits	27,704,517.10	21,738,076.79
Total	292,079,236.77	295,382,198.03

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term employee benefits payable (Continued)

(2) Changes in defined benefit plan-present value of obligations in defined benefit plan

Item	2016	2015
Beginning balance	229,743,310.21	191,014,000.00
Defined benefit cost included in current profits and losses	5,577,827.94	5,955,906.68
1. Current service cost	58,103.67	50,503.64
2. Previous service cost	-765,000.00	-1,385,000.00
3. Settlement losses (gains to be listed with "-")	-	-
4. Net interest	6,284,724.27	7,290,403.04
Defined benefit cost included in other comprehensive incomes	2,073,986.54	19,215,819.09
1. Actuarial losses (gains to be listed with "-")	2,073,986.54	19,215,819.09
Other changes	-17,720,405.02	13,557,584.44
1. Liabilities eliminated in settlement	-	-
2. Paid welfare	-17,720,405.02	-16,903,039.69
3. Others	-	30,460,624.13
Ending balance	219,674,719.67	229,743,310.21

Note 1: Some domestic subsidiaries of the Group provide the retired employees with supplementary benefit plan beyond the social planning, such as medical expense reimbursement and funeral grants. Main actuarial assumption are described below:

Actuarial assumption	2016	2015
Discount rate	3.20%	2.90%
Welfare growth rate	-	-
Including: social insurance premiums	5%	5%
funeral expenses	5%	5%
medical expenses	6%	6%
Mortality rate	-	-
Including: male	1.19%	1.19%
female	0.75%	0.75%

Sensitivity analysis of main assumptions:

Actuarial assumption	Change in assumption	Influence on as at 31/12/2016
Discount rate	Increase/decrease 0.5%	Decrease/increase 9,209,000.00
Welfare growth rate	Increase/decrease 0.5%	Increase/decrease 9,355,000.00
Mortality rate	Increase/decrease 5%	Decrease/increase 3,698,000.00

The latest actuarial evaluation and the current value of fixed benefits liability at the end of the year will be estimated by Cai Zongzhou (consulting director of Mercer Investment Consulting LLC, chief actuary and a member of American Actuarial Society) on January 10 2017. The service cost for the current value of fixed benefits liability will be measured using the projected unit credit cost method.

Note 2: The overseas company HAZEMAG (in Germany) of the Group provides the employees with a pension plan. Main actuarial assumptions are described below:

Actuarial assumption	2016	2015
Discount rate	1.76%	2.42%
Welfare growth rate	1.75%	1.75%
Compensation growth rate	2.00%	2.00%

The Group made a sensitivity analysis on the above indexes as follows:

Actuarial assumption	Change in assumption	Influence on as at 31/12/2016
Discount rate	Increase 5%	Decrease 2,131,452.01
Discount rate	Decrease 0.5%	Increase 2,388,103.36
Life span	Increase 1 year	Increase 980,112.23
Life span	Decrease 1 year	Decrease 985,592.33

The latest actuarial evaluation and the current value of fixed benefits liability as at 31 December 2016 have been estimated on 15 November 2016 by HARTMUT KARRAS, an actuary registered insurance and economic mathematician and a member of the German Actuarial Society. The service cost for the current value of fixed benefits liability was measured using the projected unit credit cost method.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Special payables

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Factory relocation of Sinoma Shangrao	104,938,154.55	–	293,589.73	104,644,564.82
YF201107 extended cement research project	7,720,000.00	–	–	7,720,000.00
Research on cement kiln sludge drying and incineration technology and equipment development	4,371,576.85	400,000.00	218,386.00	4,553,190.85
Development of key technology to reduce nitrogen oxide emission of cement kiln	4,353,793.65	–	–	4,353,793.65
Development of key technology of energy conservation for multi-stage heat transfer and stepping cooling of cement	3,703,765.42	–	–	3,703,765.42
Cement research project with a daily production of 10,000 tonnes	2,472,382.38	–	–	2,472,382.38
Combustible dangerous materials crusher of the sludge dryer-Keli	2,150,000.00	–	–	2,150,000.00
Special funds for achievement transformation projects of Jiangsu Province	2,300,000.00	–	300,000.00	2,000,000.00
Land compensation for old Xuzhou factory	40,960,000.00	18,500,000.00	–	59,460,000.00
Subsidy for factory relocation of Sinoma (Henan) Environmental Protection Co., Ltd.	29,339,409.71	–	–	29,339,409.71
Industrialization project of electric-bag composite dust collector of Sinoma (Henan) Environmental Protection Co., Ltd.	3,500,000.00	–	–	3,500,000.00
Efficient bed-grinding equipment for ore milling	2,735,927.34	600,000.00	–	3,335,927.34
Development and industrialization of complete equipment for resourceful treatment and pollution-free disposal of urban solid waste	2,120,575.41	–	487,874.60	1,632,700.81
Compensation for relocation of Tianshan Cement	8,286,237.00	–	8,286,237.00	
Comprehensive energy saving reform project for 1# kiln system	6,000,000.00	–	–	6,000,000.00
31 technical reform project	19,100,000.00	–	–	19,100,000.00
JCW06	13,000,000.00	–	–	13,000,000.00
Compensation for relocation and resettlement of Sinoma Science & Technology		23,291,000.00	–	23,291,000.00
Innovation capacity building project of Beijing Engineering Lab	4,500,000.00	–	–	4,500,000.00
WJJG		4,500,000.00	–	4,500,000.00
Other items	26,005,938.77	18,197,411.34	30,291,640.97	13,911,709.14
Total	287,557,761.08	65,488,411.34	39,877,728.30	313,168,444.12

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**41. Provisions**

Item	As at 31/12/2016	As at 31/12/2015
Pending litigation	1,865,000.00	1,985,000.00
Tax disputes (Note)	57,747,109.53	–
Product quality guarantee	154,053,902.92	144,868,800.32
Others	72,937,228.69	47,133,726.35
Total	286,603,241.14	193,987,526.67

Note: See XV. 5 in the Notes for details of tax disputes related to Sinoma Cement.

42. Deferred income**(1) Classification**

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Government grants	874,204,609.33	86,670,154.69	124,353,276.30	836,521,487.72
Unrealized profits and losses of sale-leaseback	-72,943,414.11	30,035,191.13	58,076,984.87	-100,985,207.85
Total	801,261,195.22	116,705,345.82	182,430,261.17	735,536,279.87

(2) Projects using government grants

Projects using government grants	As at 31/12/2015	Amount of new grants in current year	Amount included in non-operating income of the current year	Other changes	As at 31/12/2016	Asset-related/revenue-related
Enterprise development supporting funds	49,682,815.72	300,000.00	300,000.00	1,081,840.29	48,600,975.43	Asset-related
Land transferring compensation	38,927,825.74	–	–	1,263,817.26	37,664,008.48	Asset-related
Factory relocation of Sinoma Shangrao	120,203,973.80	293,589.73	–	5,196,166.17	115,301,397.36	Asset-related
Special fund of the National Engineering Research Center for Energy Efficient and Green Cement	23,333,333.32	–	–	833,333.34	22,499,999.98	Asset-related
Funds for resource-saving demonstration project	5,027,952.52	–	–	642,999.00	4,384,953.52	Asset-related
Compensation for Tunhe Cement relocation	181,790,264.08	–	9,875,815.46	–	171,914,448.62	Asset-related
Compensation for Suzhou Tianshan relocation	50,541,714.62	–	2,397,855.60	–	48,143,859.02	Asset-related
Funds for industrial technology research and development of high-tech industry development project	5,589,778.85	–	455,110.58	–	5,134,668.27	Asset-related
Grant for preventing pollution	2,500,000.00	–	166,666.68	–	2,333,333.32	Asset-related
Special fund for the land infrastructure construction of Ningdong Energy Base of Ningxia Building Materials	8,100,000.00	–	–	200,000.00	7,900,000.00	Asset-related
Financial reward fund to Ningxia Building Materials for energy saving technology transformation	5,880,714.25	–	–	864,285.72	5,016,428.53	Asset-related
Fund for low temperature waste heat utilization of Ningxia Building Materials	5,416,666.64	–	–	714,285.71	4,702,380.93	Asset-related

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Deferred income (Continued)

(2) Projects using government grants (Continued)

Projects using government grants	As at 31/12/2015	Amount of new grants in current year	Amount included in non-operating income of the current year	Other changes	As at 31/12/2016	Asset-related/revenue-related
Special fund for the infrastructure (land) construction of Ningxia Building Materials at Jinfeng District Industrial Park	6,324,605.77	-	-	149,537.00	6,175,068.77	Asset-related
Grant for general energy saving transformation of Ningxia Building Materials	2,571,428.49	-	-	321,428.60	2,249,999.89	Asset-related
Grant for demonstration construction projects of the Energy Management Center of Ningxia Building Materials	4,500,000.00	-	-	-	4,500,000.00	Asset-related
Fund for infrastructure construction (land) of the Sinoma (Gansu) cement production line project	5,241,149.89	-	-	122,600.00	5,118,549.89	Asset-related
Special fund for construction (land) of the Sinoma (Tianshui) cement production line project	34,866,666.63	-	-	800,000.00	34,066,666.63	Asset-related
Fund for the Sinoma (Tianshui) science and technology projects	3,010,139.17	-	-	286,679.93	2,723,459.24	Asset-related
Compensation for land use of Wuhai Saima	4,548,648.59	-	-	100,337.84	4,448,310.75	Asset-related
Fund of Economy & Information Bureau for Qarain Company to support middle and small-sized enterprises	13,492,500.00	-	-	1,101,428.57	12,391,071.43	Asset-related
Subsidy for Sinoma Cement land transferring fees	2,633,258.16	-	67,519.44	-	2,565,738.72	Asset-related
Compensation for 50-years construction land	14,304,701.06	-	325,106.84	-	13,979,594.22	Asset-related
Subsidy for waste heat power generation projects	3,651,607.14	-	331,964.28	-	3,319,642.86	Asset-related
Subsidy for green denitration project of Sinoma Cement	5,370,370.37	-	429,629.63	-	4,940,740.74	Asset-related
Fund for offshore wind projects	11,000,000.00	-	5,499,999.99	5,500,000.01	-	Asset-related
Grant for Pingxiang infrastructure construction	5,161,146.68	-	2,580,573.36	2,580,573.32	-	Asset-related
Special fund for carbon fiber quality testing service platform	2,000,000.00	1,000,000.00	-	-	3,000,000.00	Asset-related
Subsidy funds for reclaimed water reuse project	4,815,000.00	-	540,000.00	-	4,275,000.00	Asset-related
High-performance fiberglass and production line of its products for wind power generation	2,755,750.00	-	-	453,000.00	2,302,750.00	Asset-related
Special fund for independent innovation of Shandong Province in 2012	5,926,642.87	-	-	1,185,328.56	4,741,314.31	Asset-related
Special fund for demonstrative production line of alkali-resistant fiberglass using clean technology	5,357,142.91	-	-	1,071,428.52	4,285,714.39	Asset-related
Interest discount for imported equipment	3,864,589.16	-	-	386,458.92	3,478,130.24	Asset-related
Special fund for industrial technology research and development in 2014	14,285,714.26	-	-	2,857,142.88	11,428,571.38	Revenue-related

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Deferred income (Continued)

(2) Projects using government grants (Continued)

Projects using government grants	As at 31/12/2015	Amount of new grants in current year	Amount included in non-operating income of the current year	Other changes	As at 31/12/2016	Asset-related/revenue-related
Special fund for demonstration project of 80,000t fiberglass kiln pure oxygen combustion technology innovation and industrialization	16,266,666.62	-	-	3,200,000.04	13,066,666.58	Asset-related
Special fund for alkali-resistant fiberglass used for offshore engineering & infrastructure project	20,660,000.00	-	-	-	20,660,000.00	Asset-related
Fund for industrial transformation and upgrading supporting general standardization and application of new patterns of intelligent manufacturing	-	13,500,000.00	642,856.81	1,928,571.48	10,928,571.71	Asset-related
Special fund for independent innovation and achievement transformation of Shandong Province	-	3,000,000.00	214,285.74	428,571.48	2,357,142.78	Asset-related
Grant for local investment	4,775,481.34	-	-	110,415.75	4,665,065.59	Asset-related
Compensation for Xushuguan relocation	15,423,810.99	-	919,746.67	-	14,504,064.32	Asset-related
Fund of the Ministry of Industry and Information Technology in 2015 for Basics Enhancing Project	6,798,839.23	-	2,385,192.21	-	4,413,647.02	Revenue-related
Special fund for R&D and industrialization of 4000 t/a HSHM alkali-free fiberglass	9,000,000.00	-	5,356,439.17	-	3,643,560.83	Revenue-related
Subsidy for 7,200,000m ² /a lithium membrane production line project	1,566,666.67	2,300,000.00	200,000.00	-	3,666,666.67	Asset-related
Land compensation for Sinoma Advanced Materials	2,854,440.90	-	-	63,432.02	2,791,008.88	Asset-related
Support fund for production recovery	3,810,000.00	-	3,810,000.00	-	-	Revenue-related
Government-supported fund for hastening development	-	4,000,000.00	-	-	4,000,000.00	Asset-related
Fund for industrial transformation and upgrading of 2015	10,260,000.00	-	-	-	10,260,000.00	Asset-related
Subsidy for international cooperation projects	-	4,200,000.00	-	-	4,200,000.00	Asset-related
Special fund for 100 t/a silicon nitride ceramic products production line	3,125,000.00	-	-	500,000.00	2,625,000.00	Asset-related
Financial reward fund to Qilianshan for energy saving technology transformation	5,720,000.00	-	-	-	5,720,000.00	Asset-related
Grant for cableway removal	3,098,655.45	-	-	774,663.86	2,323,991.59	Asset-related
Other items	118,168,947.44	58,076,564.96	31,358,542.03	21,777,645.54	123,109,324.83	
Total	874,204,609.33	86,670,154.69	67,857,304.49	56,495,971.81	836,521,487.72	-

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Share capital

Item	As at 31/12/2015	Increase (+)/decrease (-) in current year				Subtotal	As at 31/12/2016
		Issue of new shares	Bonus issue	Shares converted from reserve	Others		
Total shares	3,571,464,000.00	-	-	-	-	-	3,571,464,000.00

44. Capital reserve

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Share premiums	1,478,828,583.08	-	-	1,478,828,583.08
Other capital reserves (Note)	3,214,911,053.67	1,324,170,280.99	61,520,365.74	4,477,560,968.92
Total	4,693,739,636.75	1,324,170,280.99	61,520,365.74	5,956,389,552.00

Note: Changes in other capital reserves in the current year mainly include:

- 1) According to the Notice on Distribution of Central Infrastructure Investment Budget (Appropriation) for Key Resource Conservation and Recycling Projects (the First Batch) in 2016 (ZCTZF [2016] No. 247) issued by China National Materials Group Corporation Ltd., the Group received the appropriation for budget of state capital operations by the central government of RMB 7,100,000.00 in the current year and increased the solely state-owned capital reserves of RMB 7,100,000.00 accordingly.
- 2) According to the Notice on Distribution of the 2016 Central Infrastructure Investment Budget (CJ [2016] No.102) and the Notice on Distribution of the 2016 National Defense Budget (CJ [2016] No.105) issued by the Ministry of Finance, the Group received the appropriation for budget of state capital operations by the central government of RMB 14,500,000.00 in the current year and increased the solely state-owned capital reserves of RMB 14,500,000.00 accordingly.
- 3) In May 2016, Sinoma Science & Technology Co., Ltd. (a second-level company of the Group) issued RMB ordinary shares to seven specific investors such as Tibet Baorui Investment Co., Ltd. and others in a non-public manner and there was RMB 1,089,673,889.67 included in the Group's capital reserve in proportion.
- 4) Sinoma Science & Technology Co., Ltd. (a second-level company of the Group) issued shares to the Company and purchased 100% equity of Taishan Fiberglass Inc. (an original second-level company of the Group). In May of the same year, Sinoma Science & Technology Co., Ltd. issued shares to seven specific investors such as Tibet Baorui Investment Co., Ltd. and others in a non-public manner. The above-mentioned matters led to an increase in the Company's shareholding ratio in Sinoma Science & Technology Co., Ltd. from 54.32% at the beginning of the year to 60.24% at the end of the year and an increase in the capital reserve-share premium of RMB 200,263,007.27.
- 5) In February 2016, Sinoma Science & Technology Co., Ltd. (a second-level company of the Group) acquired 8.42% of minority shareholders' equity held by Goldwind Investment Holdings Co., Ltd. in Sinoma Wind Power Blade Co., Ltd. and reduced the capital reserve of RMB 57,459,623.14 according to the proportion of shareholding ratio.
- 6) In addition to the above-mentioned changes to the capital reserve, each second-level company of the Group increased the capital reserve of RMB 12,633,384.05 and decreased the capital reserve of RMB 4,060,742.60 according to respective proportion of shareholding.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Other comprehensive incomes

Item	As at 31/12/2015	2016					As at 31/12/2016
		Amount incurred before income tax in current year	Less: amount included in other comprehensive incomes in previous period and carried over to profits and losses in current period	Less: income tax expenses	After-tax amount attributable to the parent company	After-tax amount attributable to the minority interests	
I. Other comprehensive incomes that cannot be subsequently reclassified to loss or profit Including: changes arising from re-measurement of net liabilities or net assets of defined benefit plan	-26,521,436.57	-2,073,986.54	-	-1,075,057.14	425,068.96	-1,423,998.36	-26,096,367.61
II. Other comprehensive incomes that may be subsequently reclassified to profit or loss Including: shares of other comprehensive incomes that may be subsequently reclassified to loss or profit of investee entities under equity method Including: profits and losses from changes in fair value of available-for-sale financial assets	-26,521,436.57	-2,073,986.54	-	-1,075,057.14	425,068.96	-1,423,998.36	-26,096,367.61
Exchange differences on translation of foreign currency financial statements	1,391,660,580.11	-178,975,997.47	116,032,647.58	-78,425,979.04	-100,379,620.19	-116,203,045.82	1,291,280,959.92
Others	-7,230,274.36	-2,966,430.58	-	-	-1,786,977.78	-1,179,452.80	-9,017,252.14
Total other comprehensive incomes	1,508,520,397.06	-272,495,843.53	116,032,647.58	-78,425,979.04	-133,271,443.62	-176,831,068.45	1,375,248,953.44
	-109,636,919.85	96,484,943.89	-	-	34,678,328.22	61,806,615.67	-74,958,591.63
	7,377.26	1,332.75	-	-	472.99	859.76	7,850.25
	1,365,139,143.54	-181,049,984.01	116,032,647.58	-79,501,036.18	-99,954,551.23	-117,627,044.18	1,265,184,592.31

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Special reserve

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Production safety	222,546,698.14	95,445,453.44	70,106,041.59	247,886,109.99
Total	222,546,698.14	95,445,453.44	70,106,041.59	247,886,109.99

47. Surplus reserve

Item	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016
Statutory surplus reserves	135,391,961.13	79,290,376.97	–	214,682,338.10
Total	135,391,961.13	79,290,376.97	–	214,682,338.10

48. Undistributed profits

Item	2016	2015
Closing balance of the previous period	4,988,475,948.37	4,304,612,591.11
Add: Opening adjustment to undistributed profit	–	–
Including: retrospective adjustment in accordance with new provisions of the Accounting Standards for Business Enterprises	–	–
Changes of accounting policies	–	–
Correction of significant errors in previous period	–	–
Change of consolidation scope under common control	–	–
Other adjustment factors	–	–
Opening balance of the current period	4,988,475,948.37	4,304,612,591.11
Add: Net profits attributable to owners of parent company in current period	585,441,930.78	803,504,348.61
Less: Appropriation to statutory surplus reserve	79,290,376.97	11,597,071.35
Payable dividends of ordinary share	107,143,920.00	107,143,920.00
Appropriation to employee benefit fund	1,350,000.00	900,000.00
Closing balance of the current period	5,386,133,582.18	4,988,475,948.37

Note: On May 22, 2015, according to the resolution of shareholders meeting in 2014, the Company distributed total dividends of RMB 107,143,920.00 in 2014 to its shareholders on a basis of RMB 0.03 per share (tax included).

On May 24, 2016, according to the resolution of shareholders meeting in 2015, the Company distributed total dividends of RMB 107,143,920.00 in 2015 to its shareholders on a basis of RMB 0.03 per share (tax included).

49. Operating revenues and costs

(1) Details

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Main operation	50,200,484,409.17	40,089,887,920.46	52,921,455,588.20	43,783,113,396.94
Other operation	376,385,641.56	218,059,459.48	337,412,811.85	223,498,780.99
Total	50,576,870,050.73	40,307,947,379.94	53,258,868,400.05	44,006,612,177.93

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Operating revenues and costs (Continued)

(2) Classification of revenues and costs by products

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Cement engineering equipment	20,483,294,631.92	17,828,365,070.69	24,167,060,830.83	21,326,951,023.84
Cement	19,699,966,213.27	14,743,561,787.04	18,807,894,053.02	15,135,601,248.35
High-tech materials	10,379,220,075.88	7,736,020,522.21	10,283,913,516.20	7,538,554,859.87
Others	14,389,129.66	–	–	5,505,045.87
Total	50,576,870,050.73	40,307,947,379.94	53,258,868,400.05	44,006,612,177.93

(3) Classification of revenues and costs by regions

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
China	34,545,674,013.84	26,236,036,901.02	33,540,944,293.43	26,737,906,934.42
Middle East	2,082,405,932.50	2,006,028,388.80	3,319,371,574.58	3,252,014,961.50
Africa	6,833,418,628.10	6,230,624,062.72	7,212,814,834.44	6,664,691,749.23
Other Asian countries	4,291,951,217.84	3,635,070,178.08	5,540,942,625.95	4,634,050,773.14
Europe	1,912,813,431.70	1,525,926,107.41	1,822,154,343.53	1,377,987,519.76
America	817,349,753.27	607,393,322.43	1,451,928,739.59	1,069,252,645.95
Other regions	93,257,073.48	66,868,419.48	370,711,988.53	270,707,593.93
Total	50,576,870,050.73	40,307,947,379.94	53,258,868,400.05	44,006,612,177.93

50. Taxes and surcharges

Item	2016	2015
Business tax	20,943,112.04	89,330,570.74
City maintenance and construction tax	118,098,038.01	117,119,403.69
Educational surcharge	100,411,493.06	102,307,273.65
Resource tax	20,058,749.32	29,071,285.74
Property tax*	75,355,838.91	–
Vehicle and vessel tax*	3,427,051.62	–
Land use tax*	64,031,644.30	–
Stamp tax*	37,440,654.41	–
Others	38,836,482.67	20,908,566.11
Total	478,603,064.34	358,737,099.93

*Note: Compared with the previous year, the taxes and surcharges increased significantly in the current year. The reason is that the taxes of administrative expenses calculated in May to December 2016 were adjusted to the taxes and surcharges in the current year and the comparison data of the previous year was not adjusted based on the interpretation of related issues in the Accounting Treatments on Value-Added Tax issued by Ministry of Finance Accounting Division on January 26, 2017.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Selling expenses

Item	2016	2015
Employee benefits	395,317,835.30	404,955,389.44
Depreciation and amortization charges	87,629,965.46	100,282,726.52
Transportation expenses	662,209,219.91	564,293,529.03
Advertisement expenses	22,338,828.36	19,268,241.64
Utilities, energy and power charges	54,274,052.77	53,954,645.53
Unloading expenses	80,869,746.30	58,760,467.44
Rent	8,652,098.28	3,144,993.69
Travel expenses	58,877,235.05	64,697,335.08
Office expenses	18,652,197.94	13,487,480.01
Communication subsidy	3,939,372.65	4,616,920.17
Premium	4,901,241.95	2,767,479.38
Intermediary agency fee	2,026,032.61	4,732,250.00
Business entertainment expenses	32,853,273.53	32,621,768.49
Selling service fees	154,212,510.24	150,810,161.78
Labor expenses	11,578,744.45	15,434,945.98
Packing charges	465,811,677.46	418,686,408.45
Others	53,763,832.55	128,038,669.93
Total	2,117,907,864.81	2,040,553,412.56

52. Administrative fees

Item	2016	2015
Employee benefits	1,604,425,534.92	1,537,833,455.45
Depreciation and amortization	501,808,851.40	509,204,489.23
Inventory loss/gain	-508,429.86	-4,684,273.85
Transportation expenses	19,516,643.91	20,903,042.34
Research and development expenses	812,833,907.83	752,284,318.21
Utilities, energy and power charges	49,540,219.66	51,420,966.20
Property management fee	36,286,151.48	59,017,609.89
Maintenance cost of fixed assets	409,277,033.17	369,589,521.95
Intermediary service charge	112,641,749.08	117,997,035.72
Other taxes	88,713,943.01	275,302,408.69
Rent	79,422,940.60	29,084,801.59
Travel expenses	82,289,620.53	75,847,629.28
Office expenses	88,329,652.38	85,137,633.16
Communication subsidy	18,272,102.85	5,809,218.54
Conference expenses	7,677,030.43	3,958,238.72
Premium	24,707,434.46	16,253,018.06
Business entertainment expenses	52,561,444.28	59,297,354.65
Sewage charges	76,944,795.77	60,817,077.81
Labor expenses	54,411,210.67	13,317,739.32
Others	262,943,721.47	306,152,720.36
Total	4,382,095,558.04	4,344,544,005.32

Note: The administrative fees in current year of the Group included auditors' remuneration:

Item	2016	2015
Annual fees for audit services	9,000,000.00	9,500,000.00
Fee for internal control audit, review and other non-annual audit services	4,320,000.00	8,330,000.00
Total	13,320,000.00	17,830,000.00

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**53. Financial expenses**

Item	2016	2015
Interest expenditure	1,744,460,082.23	1,930,636,885.78
Including: interests of bank borrowings and other borrowings that must be repaid within 5 years	1,733,582,001.89	1,881,209,398.73
Less: interest income	241,046,078.47	169,299,435.86
Add: exchange loss	-214,144,782.64	-121,363,949.27
Add: other expenditures	95,461,672.84	119,826,667.80
Total	1,384,730,893.96	1,759,800,168.45

54. Assets impairment losses

Item	2016	2015
Bad debt	173,313,594.10	106,386,345.52
Inventory impairment	176,013,469.36	164,678,965.60
Long-term equity investment impairment	–	40,528.87
Impairment of fixed assets	496,502,096.78	165,644,467.30
Impairment of construction in progress	8,830,552.04	4,243,977.52
Impairment of intangible asset	16,516,697.92	12,516,176.31
Goodwill impairment	125,777,838.59	–
Total	996,954,248.79	453,510,461.12

55. Profit/loss from changes in fair value

Item	2016	2015
Trading financial assets	-2,809,000.00	3,227,367.12
Including: forward foreign exchange contract funds	-2,809,000.00	2,856,000.00
	–	371,367.12
Trading financial liabilities	6,656,413.56	-3,608,710.03
Including: forward foreign exchange contract	6,656,413.56	-3,608,710.03
Total	3,847,413.56	-381,342.91

56. Investment incomes

Item	2016	2015
Long-term equity investment income under the equity method	14,091,965.16	16,338,428.57
Investment income from disposal of long-term equity investment	11,325,729.62	25,878,994.36
Investment income from disposal of financial assets at fair value through profit or loss	-20,051,205.43	-6,767,717.88
Investment income from available-for-sale financial assets	19,330,832.92	20,905,673.62
Investment income from disposal of available-for-sale financial assets	109,035,688.47	313,157,968.36
Others	–	47,249,387.85
Total	133,733,010.74	416,762,734.88

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Non-operating incomes

(1) Details

Item	2016	2015	Amount included in non-recurring profit and loss of current year
Gains from disposal of non-current assets	153,164,941.53	90,413,195.89	153,164,941.53
Including: gains from disposal of fixed assets	138,084,906.22	61,698,147.11	138,084,906.22
Gains from disposal of intangible assets	10,646,356.90	28,715,048.78	10,646,356.90
Gains from debt restructuring	3,794,551.95	24,068,794.42	3,794,551.95
Government grants	602,547,988.36	766,515,048.96	268,628,646.17
Liquidated damages	16,310,647.21	10,898,604.29	16,310,647.21
Other gains	60,234,009.95	103,031,717.89	60,234,009.95
Total	836,052,139.00	994,927,361.45	502,132,796.81

(2) Details of government grants

Item	2016	2015	Source and basis	Asset-related/ revenue-related
1. Tax refunds	283,789,394.31	420,366,949.06	-	Revenue-related
2. Transfer-in of deferred income	114,703,451.79	114,456,502.95	-	Asset-related
3. Special grants and bonus	204,055,142.26	231,691,596.95	-	
Special fund for commercial development	-	9,568,600.00	SGCM [2013] No. 021	Revenue-related
Special fund for provincial-level commercial development in 2015	-	2,200,000.00	SCG [2014] No. 37	Revenue-related
Special fund for outbound investment cooperation	1,980,000.00	1,753,000.00	NSC [2015] NO. 567	Revenue-related
Special fund for provincial-level commercial development in 2016	12,427,300.00	-	NSC [2016] No.551	Revenue-related
Allowance of handling charge for Letter of Guarantee	5,002,796.00	-	Tianjin Commission of Commerce	Revenue-related
Credit reward funds in 2015	5,000,000.00	-	Nanjing Finance Bureau at Jiangning District	Revenue-related
Reward fund for eliminating backward capacities	4,980,000.00	9,650,000.00	SCJ [2016] No. 013, CZCY [2016] No. 82 and ADCJ [2014] No. 105	Revenue-related
Social insurance subsidies	3,665,558.95	2,914,934.13	XRSF [2015] No. 55	Revenue-related
Grant to Qingshui Co., Ltd. for supporting the company and stabilizing jobs	-	5,588,764.00	Notice on Further Supporting Enterprises and Promoting Employment (NZBF [2014] No. 204) of the General Office of the People's Government of Ningxia Hui Autonomous Region	Revenue-related
Grant to Wuhai Xishui for supporting the company and stabilizing jobs	-	2,313,000.00	Notice on Printing and Distributing the Implementation Scheme of Supporting Enterprises with Difficulties to Stabilize Employment (WHZBF [2014] No.58) of the General Office of the People's Government of Wuhai	Revenue-related

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Non-operating incomes (Continued)

(2) Details of government grants (Continued)

Item	2016	2015	Source and basis	Asset-related/ revenue-related
Grant from Hefei Commission of Economy and Informationization	–	4,309,700.00	Grant of Chaohu Commission of Economy and Informationization for industrialized development	Revenue-related
Grant from the Environmental Protection Bureau	–	2,400,000.00	Special fund for the online auto detection equipment of Chaohu Environment Protection Bureau	Revenue-related
Grant of Commission of Economy and Informationization for industrialized development	–	11,144,000.00	Grant of Chaohu Commission of Economy and Informationization for industrialized development	Revenue-related
Financial allocations for living expenses of retired people	2,448,767.24	2,233,711.97	GKFZ [2016] No. 144	Revenue-related
Grant for road maintenance of Xiangtan Cement	2,274,500.00	2,540,000.00	TFY [2013] No. 53	Revenue-related
Compensation for Taoyuan Mining land expropriation and resettlement of Sinoma Pingxiang from Shangli Finance Bureau	–	2,915,000.00	Shangli Finance Bureau	Revenue-related
Expenditures for strypped-down scientific research institutions in 2016	43,858,600.00	39,096,500.00	GKFZ [2016] No. 144	Revenue-related
Payments for retired people of new strypped-down scientific research institutions before transformation	1,606,100.00	5,952,600.00	GKFZ [2016] No. 416	Revenue-related
Subsidy for solid wastes treatment	3,077,846.40		Beijing Badaling Economic Development Zone Administration	Revenue-related
Fund for industrial Park projects	28,991,735.00		Industrial Park projects enjoy the preferential policies on investment promotion	Revenue-related
Grant for Jiangsu technical transformation projects	–	5,076,000.00	Decision on Awarding Industrial Economy and Universal Entrepreneurship in 2014	Revenue-related
Support fund for foreign trade development	1,214,400.00	163,000.00	GSWCZ No. 284, TSCQZ [2016] No. 5, Jining Municipal Administration of Foreign Experts Affairs, and Zoucheng Finance Bureau	Revenue-related
Subsidy for stabilizing employment from the Employment Bureau	2,066,738.23	746,261.69	Taian Finance Bureau and Zoucheng Employment Bureau	Revenue-related
Income from utilities	4,419,592.74	1,822,094.86	GKFZ [2016] No. 144	Revenue-related
Longitudinal governmental grant for military projects	15,788,500.00	14,949,100.00	State Administration of Science, Technology and Industry for National Defence	Revenue-related
863 Program fund	–	2,240,000.00	Funds Settlement Center of the PLA General Armament Department	Revenue-related
Grant for platform construction fund	–	10,000,000.00	ZGXCF [2015] No. 58	Revenue-related
Special grant for 300,000 pieces of chip ceramic	–	4,500,000.00	ZCQZ [2015] No. 3	Revenue-related

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Non-operating incomes (Continued)

(2) Details of government grants (Continued)

Item	2016	2015	Source and basis	Asset-related/ revenue-related
R&D fund for new generation large-scale fabrication technologies and process equipment of boron nitride ceramic fiber	-	3,000,000.00	ZCXJ [2015] No. 81	Revenue-related
Support fund for industrial parks	-	2,393,390.00	Luxi Industrial Park Administration	Revenue-related
Government-supported fund for Jiangxi Porcelain Electric	2,350,000.00	-	Luxi Finance Bureau	Revenue-related
Special fund for international technology cooperation projects of manufacturing technology of inorganic anti-fouling flashover hydrophobic coating	-	2,730,000.00	Ministry of Science and Technology	Revenue-related
Fund for civil-military integration projects	5,000,000.00	-	Zibo Finance Bureau	Revenue-related
Total of other individual amounts	57,902,707.70	79,491,940.30		
Total	602,547,988.36	766,515,048.96	-	-

58. Non-operating expenses

Item	2016	2015	Amount included in non-recurring profit and loss of current year
Losses from disposal of non-current assets	55,468,746.42	29,433,173.35	55,468,746.42
Including: losses from disposal of fixed assets	55,447,109.00	29,141,866.77	55,447,109.00
Losses from disposal of intangible assets	20,487.42	151,982.88	20,487.42
Losses from debt restructuring	3,033,596.35	7,816,894.71	3,033,596.35
Donation	5,257,507.42	6,985,595.05	5,257,507.42
Inventory losses	357,763.51	28,416.78	357,763.51
Abnormal losses	943,675.47	431,143.10	943,675.47
Compensation penalties	20,707,703.13	35,105,901.45	20,707,703.13
Default leg	48,053,015.97	-	48,053,015.97
Relocation expenditures	-	16,429,465.43	-
Others	38,994,313.19	15,779,196.61	38,994,313.19
Total	172,816,321.46	112,009,786.48	172,816,321.46

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**59. Income tax expenses****(1) Income tax expenses**

Item	2016	2015
Current income tax expense	683,245,406.63	643,343,444.99
Including: profit tax in Hong Kong	–	–
Deferred income tax expense	-130,645,965.90	-135,890,374.75
Total	552,599,440.73	507,453,070.24

(2) Adjustment process of accounting profits and income tax expenses

Item	2016
Total consolidated profit of current year	1,709,447,282.69
Income tax expense calculated in accordance with statutory/applicable tax rate	427,361,820.67
Effect of different tax rates applicable to subsidiaries	-36,337,862.00
Effect of income tax during the period before adjustment	-34,297,238.08
Effect of non-taxable income	-171,493,326.26
Effect of cost, expense and loss non-deductible	118,652,153.59
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	-152,288,379.76
Effect of deductible temporary difference or deductible loss of unrecognized deferred income tax assets in the current year	401,002,272.57
Income tax expenses	552,599,440.73

60. Other comprehensive incomes

See relevant contents in "VI. 45 Other comprehensive incomes" in the Notes for details.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Items of cash flow statement

(1) Other cash received/paid related to operating/investment/financing activities

1) Other cash received related to operating activities

Item	2016	2015
Intercourse funds	883,996,286.85	803,420,240.80
Government grants	204,055,142.26	416,313,368.06
Bid bond and quality deposit	183,150,729.48	250,188,838.83
Interest income	267,499,876.41	130,460,617.99
Reserve funds	33,640,616.38	86,768,574.73
Non-operating incomes	58,870,838.96	47,021,200.63
Other operating incomes	22,063,785.89	72,523,933.80
Special payables	65,488,411.34	63,111,912.03
Others	162,334,887.24	275,129,204.98
Total	1,881,100,574.81	2,144,937,891.85

2) Other cash paid related to operating activities

Item	2016	2015
Administrative fees	804,644,150.80	1,043,074,792.79
Intercourse funds	911,596,182.41	832,080,419.27
Selling expenses	426,614,828.45	486,868,644.33
Bid bond and quality deposit	324,498,580.88	321,224,492.19
Reserve funds	106,390,970.64	108,014,198.48
R&D expense	59,081,733.72	41,860,874.80
Bank service charges	53,688,390.95	58,099,916.20
Non-operating expenses	12,098,224.58	57,870,693.11
Increase of restricted fund	326,717,877.95	705,333,868.98
Others	105,601,778.59	168,926,058.16
Total	3,130,932,718.97	3,823,353,958.31

3) Other cash received related to investing activities

Item	2016	2015
Payment collection of investment project and interest income	32,177,591.00	42,275,198.03
Net cash received from subsidiaries and other business entities obtained	–	49,752,272.49
Forward settlement and sale exchange	6,270,500.00	
Others	7,078,242.25	4,398,307.84
Total	45,526,333.25	96,425,778.36

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Items of cash flow statement (Continued)

(1) Other cash received/paid related to operating/investment/financing activities (Continued)

4) Other cash paid related to investing activities

Item	2016	2015
Paying agencies for M&A fees	–	10,000,000.00
Decrease of monetary funds due to changes in consolidation scope	–	323,561.79
Loss of forward foreign exchange contracts	27,967,400.00	6,532,300.00
Returned engineering quality deposit	560,000.00	415,800.00
Deposit for purchasing quarries	–	9,702,900.00
Total	28,527,400.00	26,974,561.79

5) Other cash received related to financing activities

Item	2016	2015
Borrowings received	37,536,316.50	286,672,265.67
Short-term financing bills	7,200,000,000.00	9,149,625,000.00
Bills discounted	1,480,432,743.91	1,378,595,967.38
Funds for Qihang 1 received	154,498,794.69	–
Sale-leaseback businesses	100,000,000.00	284,100,000.00
Others	27,708,925.15	10,930,000.00
Total	9,000,176,780.25	11,109,923,233.05

6) Other cash paid related to financing activities

Item	2016	2015
Repayment of capital lending	20,000,000.00	622,565,456.17
Bank acceptance bills	303,792,654.28	199,359,000.00
Repayment of short-term financing bills	6,050,000,000.00	10,120,000,000.00
Handling charge for debt issuance evaluation	6,994,817.89	4,177,857.50
Mining concession purchased in installments	–	18,626,140.00
Finance lease	408,573,197.20	26,688,238.02
Payment of funds for Qihang 1	154,498,794.69	–
Payment of due notes	580,000,000.00	–
Others	58,314,729.81	21,003,722.15
Total	7,582,174,193.87	11,012,420,413.84

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Items of cash flow statement (Continued)

(2) Supplementary information of consolidated cash flow statement

Item	2016	2015
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,156,847,841.96	1,086,956,971.44
Add: provision for impairment of assets	996,954,248.79	453,510,461.12
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	3,542,817,836.41	3,523,132,645.36
Amortization of intangible assets	273,262,243.12	237,777,280.04
Amortization of long-term prepayments	183,089,820.92	133,890,617.52
Loss from disposal of fixed assets, intangible assets and other long- term assets (gains to be listed with "-")	-97,696,195.11	-60,980,022.54
Loss from retirement of fixed assets (gains to be listed with "-")		
Profits and losses of changes in fair value (gains to be listed with "-")	-3,847,413.56	381,342.91
Financial expenses (gains to be listed with "-")	1,744,460,082.23	1,930,636,885.78
Investment loss (gains to be listed with "-")	-133,733,010.74	-416,762,734.89
Decrease of deferred income tax assets (increases to be listed with "-")	-15,233,403.46	-119,532,568.56
Increases of deferred income tax liabilities (decreases to be listed with "-")	-116,469,286.05	-16,357,806.19
Decrease of inventory (increases to be listed with "-")	1,574,192,646.48	-870,682,830.89
Decrease of operating receivables (increases to be listed with "-")	615,801,156.76	1,015,872,113.33
Increases of operating payables (decreases to be listed with "-")	-3,132,389,559.52	-1,522,698,933.84
Others		
Net cash flows generated from operating activities	6,588,057,008.23	5,375,143,420.59
2. Significant investing and financing activities not related to cash deposit and withdrawal:		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets acquired under finance leases	-	-
3. Net change in cash and cash equivalents:		
Cash at the end of the period	15,503,449,822.75	12,951,276,987.11
Less: cash at the beginning of the period	12,951,276,987.11	10,108,922,653.84
Add: cash equivalents at the end of the period	-	-
Less: cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	2,552,172,835.64	2,842,354,333.27

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)**61. Items of cash flow statement (Continued)****(3) Net cash received from disposal of subsidiaries in current year**

Item	2016
Cash and cash equivalents received in the current year from disposal of subsidiaries in the current year	16,031,480.89
Including: Changde Sinoma Concrete Co., Ltd.	16,031,480.89
Less: cash and cash equivalents held by subsidiaries on the date of losing control	8,127,604.09
Including: Changde Sinoma Concrete Co., Ltd.	3,429,878.32
Jiangsu Zhongkai New Material Co., Ltd.	4,697,725.77
Add: cash or cash equivalents received in current year from disposal of subsidiaries in previous period	-
Net cash received from disposal of subsidiaries	7,903,876.80

(4) Cash and cash equivalents

Item	2016	2015
Cash	15,503,449,822.75	12,951,276,987.11
Including: cash on hand	92,282,751.07	72,145,145.46
Bank deposit available for payments at any time	15,385,509,668.46	12,850,031,909.55
Other monetary funds available for payment at any time	25,657,403.22	29,099,932.10
Accounts deposited in Central Bank available for payments	-	-
Deposits in other banks	-	-
Interbank loans	-	-
Cash equivalents	-	-
Including: bond investment due within three months	-	-
Ending balance of cash and cash equivalents	15,503,449,822.75	12,951,276,987.11
Including: cash and cash equivalents with limited use of the parent company or subsidiaries of the Group	-	-

62. Assets with title restrictions

Item	Book value as at 31/12/2016	Reasons
Monetary funds	2,434,949,354.70	See VI. 1 in the Notes for details
Bills receivable	580,062,476.24	See VI. 3 in the Notes for details
Accounts receivable	14,808,649.65	Bank pledge
Long-term equity investment	800,030,400.00	Bank pledge for HAZEMAG (German)'s equity
Fixed assets	4,224,935,517.25	Fixed assets mortgage borrowing
Intangible assets	369,540,550.29	Intangible assets mortgage borrowing

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Monetary items in foreign currency

(1) Monetary items in foreign currency

Item	Foreign currency as at 31/12/2016	Conversion exchange rate	RMB (equivalent) as at 31/12/2016
Monetary funds	–	–	6,066,074,873.33
Cash	–	–	64,896,787.79
USD	5,174,505.33	6.937	35,895,543.44
EUR	19,858.38	7.3068	145,101.22
IDR	3,695,111,919.40	0.0005	1,901,179.14
SAR	2,421,363.08	1.8497	4,478,795.29
ETB	29,922,073.47	0.308	9,215,998.63
ZAR	203,791.15	0.5083	103,587.04
IQD	570,032,889.83	0.0059	3,363,194.05
NGN	82,098,858.77	0.0228	1,871,853.98
XOF	222,126,883.93	0.0112	2,487,821.10
TZS	263,452,775.00	0.0032	843,048.88
EGP	775,129.93	0.3826	296,564.71
AED	309,467.35	1.889	584,583.82
VND	4,316,742,733.33	0.0003	1,295,022.82
Others	34,874,818.77	–	2,414,493.67
Cash in bank	–	–	5,958,741,243.56
USD	674,838,307.46	6.937	4,681,353,338.96
EUR	81,362,158.62	7.3068	594,497,020.58
AED	30,521,166.66	1.889	57,654,483.83
ETB	175,505,838.77	0.308	54,055,798.34
IDR	30,228,195,797.38	0.0005	15,602,157.31
ZAR	18,127,747.67	0.5083	9,214,334.14
IQD	1,845,238,584.60	0.0059	10,886,907.65
TZS	3,139,382,200.00	0.0032	10,046,023.04
NGN	4,409,514,166.23	0.0228	100,536,922.99
MYR	6,240,352.23	1.5527	9,689,394.91
SAR	40,665,055.42	1.8497	75,218,153.02
EGP	219,058,340.57	0.3826	83,811,721.10
RUB	397,408,626.24	0.1151	45,741,732.88
VND	44,004,213,191.92	0.0003	13,201,263.96
XOF	2,082,932,128.57	0.0112	23,328,839.84
GBP	108,173.90	8.5094	920,494.98
HKD	781.71	0.8945	699.25
JPY	25,057,760.57	0.0596	1,493,442.53
Others	889,004,668.21	–	171,488,514.25
Other monetary funds	–	–	42,436,841.98
USD	3,700,464.70	6.937	25,670,123.62
EUR	190,124.57	7.3068	1,389,202.21
AED	8,126,865.93	1.889	15,351,649.75
Others	4,384,135.59	–	25,866.40

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Monetary items in foreign currency (Continued)

(1) Monetary items in foreign currency (Continued)

Item	Foreign currency as at 31/12/2016	Conversion exchange rate	RMB (equivalent) as at 31/12/2016
Accounts receivable	–	–	1,683,121,655.01
USD	110,721,117.62	6.937	768,072,392.92
EUR	44,251,342.60	7.3068	323,335,710.14
XOF	3,383,350,181.00	0.0112	37,893,522.03
VND	12,516,804,533.33	0.0003	3,755,041.36
SAR	78,137,551.98	1.8497	144,531,029.91
IQD	2,234,891.86	1.889	4,221,710.72
IDR	419,141,165,181.36	0.0005	216,337,965.99
TZS	19,226,309,510.82	0.0032	61,524,190.43
NGN	162,503,644.61	0.0228	3,705,083.10
EGP	3,547,580.11	0.3826	1,357,304.15
MYR	28,445,532.80	1.5527	44,167,378.78
INR	717,156,046.24	0.1023	73,365,063.53
JPY	14,350,032.72	0.0596	855,261.95
Other receivables	–	–	458,377,007.57
USD	5,384,252.79	6.937	37,350,561.60
EUR	1,802,975.54	7.3068	13,173,981.68
XOF	15,037,379,581.81	0.0112	168,418,651.32
IQD	219,128.81	0.0059	1,292.86
ETB	27,992,004.68	0.308	8,621,537.44
SAR	1,916,120.81	1.8497	3,544,248.66
TZS	105,243,587.50	0.0032	336,779.48
IDR	94,093,686,331.39	0.0005	48,566,064.14
VND	60,216,822,200.00	0.0003	18,065,046.66
NGN	134,755,177.64	0.0228	3,072,418.05
AED	23,506,054.29	1.889	44,402,936.55
JOD	266,802.86	9.798	2,614,134.47
MYR	1,462,449.17	1.5527	2,270,744.82
TND	846,701,616.52	0.0626	53,003,521.19
INR	536,999,889.05	0.1023	54,935,088.65
Accounts payable	–	–	812,489,032.64
USD	14,664,927.00	6.937	101,730,598.61
EUR	20,953,157.77	7.3068	153,100,533.16
RUB	27,818,065.07	0.1151	3,201,859.29
AED	34,835,247.98	1.889	65,803,783.44
VND	2,984,212,555.56	0.0003	895,263.77
SAR	58,432,828.62	1.8497	108,083,203.11
TZS	21,538,150,806.25	0.0032	68,922,082.58
ZAR	68,314,027.58	0.5083	34,724,020.22
NGN	594,784,902.19	0.0228	13,561,095.77
XOF	9,852,816.07	0.0112	110,351.54
ETB	115,182,189.48	0.308	35,476,114.36
IDR	219,757,320,638.38	0.0005	113,426,825.39
MYR	24,174,319.38	1.5527	37,535,465.70
TND	5,938,260.38	0.0626	371,735.10
JOD	642,940.02	9.798	6,299,526.32
AOA	14,705,650.00	0.0161	237,187.86
INR	602,184,826.98	0.1023	61,603,507.80
GBP	328.00	8.5094	2,791.08
JPY	124,212,878.19	0.0596	7,403,087.54

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Monetary items in foreign currency (Continued)

(1) Monetary items in foreign currency (Continued)

Item	Foreign currency as at 31/12/2016	Conversion exchange rate	RMB (equivalent) as at 31/12/2016
Other payables	–	–	550,225,158.03
USD	4,900,923.87	6.937	33,997,708.90
EUR	1,382,195.01	7.3068	10,099,422.47
INR	460,927,833.53	0.1023	47,152,917.37
ZAR	730,687.08	0.5083	371,408.25
SAR	2,844,327.52	1.8497	5,261,152.61
TZS	2,041,906.72	0.0032	6,534.10
IDR	611,078,516,018.88	0.0005	305,539,258.01
VND	65,734,351,233.33	0.0003	19,720,305.37
NGN	473,388,776.31	0.0228	10,793,264.10
AED	36,210,982.23	1.889	68,402,545.43
ZMW	172,315.07	0.7014	120,861.79
XOF	346,635,660.71	0.0112	3,882,319.40
MYR	24,417,518.86	1.5527	37,913,081.54
TND	571,064.86	0.0626	35,748.66
CFA	612,754,015.32	0.0111	6,801,569.57
JOD	12,968.00	9.798	127,060.46
Short-term borrowings	–	–	70,598,412.76
EUR	4,292,031.53	7.3068	31,361,015.98
INR	45,429,943.11	0.1023	4,647,483.18
SAR	18,700,000.00	1.8497	34,589,913.60
Long-term borrowings	–	–	182,804,745.81
Including: EUR	25,001,791.25	7.3068	182,683,088.31
INR	1,189,281.00	0.1023	121,657.50

(2) Oversea business entity

Important overseas subsidiaries	Main premises	Recording currency
HAZEMAG	Germany	EUR
Sinoma International (Hong Kong) Co., Ltd.	Hong Kong	RMB
Sinoma Energy and Infrastructure Co., Ltd	Saudi Arabia	SAR
Sinoma International (Malaysia) Co., Ltd.	Malaysia	MYR
LNV Technology Pvt. Ltd.	India	INR
CTG North American Trading Co., Ltd.	USA	USD

64. Gains from disposal of properties

The net income from disposal of properties, including premises, buildings and land in current year is RMB 88,659,441.56 in total, with RMB 25,918,809.04 included in other operating incomes and RMB 62,740,632.52 included in non-operating incomes.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VII. CHANGES IN CONSOLIDATION SCOPE**1. Business combinations other than common control combinations**

None.

2. Business combinations under common control

None.

3. Disposal of subsidiaries

Name of subsidiary	Price of equity disposal (RMB million)	Proportion of equity disposal (%)	Mode of equity disposal	Time point of loss of control	Basis for determining time point of loss of control	Difference between the consideration received and the corresponding proportion of the subsidiary's net assets (RMB million)
Changde Sinoma Concrete Co., Ltd.	17.80	100%	Transfer of listing agreement	As at 15/3/2016	Signing the Equity Transfer Agreement	6.30
Jiangsu Zhongkai New Material Co., Ltd.	-	-	Signing to terminate the Agreement of Persons Acting in Concert	As at 02/01/2016	Signing to terminate the Agreement of Persons Acting in Concert	-

4. Changes in consolidation scope for other reasons

The changes in the consolidation scope of the Group are mainly attributable to the establishment of new subsidiaries or the cancellation of subsidiaries. The changes in the consolidation scope of third-level and above companies of the Group are as follows:

Name of the third-level company	Changes in current year
Shanghai Ningrui Company	New establishment
Harbin Environment Company	New establishment
Sinoma Tianhua International PV Engineering (Beijing) Co., Ltd.	Cancellation
Nanjing Sinoma Testing Technology Co., Ltd.	Cancellation
Tianjin Cement Industry Engineering Consulting Company	Cancellation
Sinoma Lithium Membrane Co., Ltd	New establishment

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Details of major subsidiaries

Name of subsidiary	Registration place and legal type	Main business and premise	Issued/ paid share capital	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
Sinoma International Engineering Co., Ltd.	Nanjing/Joint stock company with limited liability	Construction and engineering service/Nanjing	1,754,257,928.00	39.70	-	Establishment
Sinoma Mining Construction Co., Ltd.	Tianjin/Limited liability company	Construction and engineering service/Tianjin	219,735,187.00	100.00	-	Establishment
Xinjiang Tianshan Cement Co., Ltd.	Urumqi/Joint stock company with limited liability	Cement business/Urumqi	880,101,259.00	35.49	-	Purchase
Ningxia Building Materials Group Co., Ltd.	Yinchuan/Joint stock company with limited liability	Cement business/Yinchuan	478,181,042.00	47.56	-	Purchase
Sinoma Cement Co., Ltd.	Beijing/Limited liability company	Cement business/Beijing	1,853,280,000.00	100.00	-	Establishment
Xiamen ISO Standard Sand Co., Ltd.	Xiamen/Limited liability company	China ISO standard sand manufacturing/Xiamen	32,000,000.00	51.00	-	Establishment
Sinoma Science & Technology Co., Ltd.	Nanjing/Joint stock company with limited liability	High-tech material business/Nanjing	806,790,185.00	60.24	-	Establishment
Sinoma Advanced Materials Co., Ltd.	Zibo/Joint stock company with limited liability	New material production/Zibo	107,590,551.00	99.46	-	Establishment
Sinoma Jinjing Fiber Glass Co., Ltd.	Zibo/Limited liability company	Glass fiber business/Zibo	203,956,800.00	50.01	-	Establishment
Gansu Qilianshan Building Materials Holdings Co., Ltd.	Yongdeng/Limited liability company	Cement business/Yongdeng	352,678,565.63	51.00	-	Purchase
China National Materials (Hong Kong) Co., Ltd. (Note)	Hong Kong	Investment/Hong Kong	USD8,000,000.00	100.00	-	Establishment
Sinoma Technology & Equipment Group Co., Ltd.	Tianjin/Limited liability company	Construction and engineering service/Tianjin	238,580,000.00	-	100.00	Establishment
CBMI Construction Co., Ltd.	Tangshan/Limited liability company	Construction and engineering service/Tangshan	72,580,153.09	-	100.00	Establishment
Sinoma (Suzhou) Construction Co., Ltd.	Kunshan/Limited liability company	Construction and engineering service/Kunshan	50,080,000.00	-	100.00	Establishment
Taishan Fiberglass Inc.	Taian/Limited liability company	Glass fiber business/Taian	3,214,745,873.07	-	100.00	Purchase
Sinoma Wind Power Blade Co., Ltd.	Beijing/Joint stock company with limited liability	Wind power blade sales/Beijing	441,019,253.00	-	100.00	Establishment
Gansu Qilianshan Cement Group Co., Ltd.	Yongdeng/Joint stock company with limited liability	Cement business/Yongdeng	776,290,282.00	13.24	11.80	Purchase

Note: The registered capital of China National Materials (Hong Kong) Co., Ltd is USD 8,000,000.00.

(2) Important non-wholly-owned subsidiaries

Name of subsidiary	Shareholding proportion of minority interests	Profit and loss attributable to minority interests in current year	Dividends declared to pay to minority interests in current year	As at 31/12/2016 of minority interests
Sinoma International Engineering Co., Ltd.	60.30	307,550,158.93	120,596,393.29	3,763,408,939.89
Xinjiang Tianshan Cement Co., Ltd.	64.51	64,371,547.72	-	3,773,116,697.86
Ningxia Building Materials Group Co., Ltd.	52.44	30,231,594.71	5,015,354.96	2,148,177,728.63
Xiamen ISO Standard Sand Co., Ltd.	49.00	11,908,112.99	19,600,000.00	40,530,583.48
Sinoma Science & Technology Co., Ltd.	39.76	159,597,942.72	46,835,745.73	1,894,441,195.74
Sinoma Advanced Materials Co., Ltd.	0.54	56,221.51	-	-8,234,230.63
Sinoma Jinjing Fiber Glass Co., Ltd.	49.09	-56,592,273.73	-	62,154,460.92
Gansu Qilianshan Building Materials Holdings Co., Ltd.	49.00	7,368,015.39	-	294,637,676.37

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (Continued)**1. Interests in subsidiaries (Continued)****(3) Main financial information of important non-wholly-owned subsidiaries**

Name of subsidiary	As at 31/12/2016 (RMB million)						As at 31/12/2015 (RMB million)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Sinoma International Engineering Co., Ltd.	22,002.55	5,797.17	27,799.72	18,588.78	1,990.88	20,579.66	23,260.23	5,274.90	28,535.13	20,010.80	1,730.14	21,740.94
Xinjiang Tianshan Cement Co., Ltd.	3,440.40	15,031.71	18,472.11	8,540.28	3,151.45	11,691.73	4,427.20	16,103.17	20,530.37	10,852.37	2,243.85	13,096.22
Xiamen ISO Standard Sand Co., Ltd.	79.92	10.57	90.49	7.78	-	7.78	93.46	12.44	105.90	7.49	-	7.49
Sinoma Science & Technology Co., Ltd.	8,434.81	12,142.23	20,577.05	9,179.56	3,112.71	12,292.28	4,746.65	3,250.86	7,997.51	4,336.82	573.31	4,910.13
Sinoma Advanced Materials Co., Ltd.	1,171.79	899.61	2,071.40	1,187.88	187.16	1,375.04	950.80	907.80	1,858.59	1,048.23	202.22	1,250.45
Sinoma Jinjing Fiber Glass Co., Ltd.	451.18	505.92	957.09	502.61	330.15	832.76	481.74	505.37	987.11	629.14	120.00	749.14
Gansu Qilianshan Building Materials Holdings Co., Ltd.	2,567.63	8,439.32	11,006.96	3,433.67	1,808.78	5,242.46	2,390.70	8,833.99	11,224.69	3,216.60	2,203.25	5,419.85
Ningxia Building Materials Group Co., Ltd.	2,617.11	5,218.71	7,835.82	2,716.62	630.03	3,346.65	2,171.42	5,594.98	7,766.40	2,304.92	1,020.56	3,325.48

Name of subsidiary	2016 (RMB million)				2015 (RMB million)			
	Operation revenue	Net profit	Total comprehensive income	Cash flow generated from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow generated from operating activities
Sinoma International Engineering Co., Ltd.	19,006.93	655.87	599.82	2,434.88	22,596.23	649.43	602.10	1,965.22
Xinjiang Tianshan Cement Co., Ltd.	5,001.26	55.30	-117.72	578.93	5,046.65	-669.74	-699.85	236.78
Xiamen ISO Standard Sand Co., Ltd.	69.24	28.60	24.30	19.94	82.70	30.30	30.30	45.04
Sinoma Science & Technology Co., Ltd.	8,968.93	563.10	421.27	1,252.27	5,827.59	336.82	336.82	822.95
Sinoma Advanced Materials Co., Ltd.	1,238.36	18.51	22.36	114.03	1,022.70	10.14	10.14	18.56
Sinoma Jinjing Fiber Glass Co., Ltd.	153.33	-113.20	-113.63	-77.18	81.43	60.10	60.10	-8.38
Gansu Qilianshan Building Materials Holdings Co., Ltd.	5,115.59	159.46	47.50	910.41	4,850.56	95.75	94.77	639.44
Ningxia Building Materials Group Co., Ltd.	3,688.90	140.87	95.35	598.60	3,184.50	54.91	54.17	309.44

2. Interests in joint ventures or associates**(1) Important joint ventures or associates**

Name	Main premise	Registration place	Nature of business	Shareholding proportion (%)		Accounting treatment methods for investment of joint ventures or associates
				Direct	Indirect	
Joint venture						
Taishan Fiberglass South Africa (PTY) Ltd.	South Africa	South Africa	Production and sales of fiberglass products	50.00		Equity method
Associate						
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Nanjing	Nanjing	Production	20.59		Equity method
Sinoma Group Finance Co., Ltd.	Beijing	Beijing	Finance	30.00		Equity method

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

2. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures

Item	As at 31/12/2016/ 2016 Taishan Fiberglass South Africa (PTY) Ltd.	As at 31/12/2015/ 2015 Taishan Fiberglass South Africa (PTY) Ltd.
Current assets:	16,344,581.25	9,789,038.65
Including: cash and cash equivalents	500,504.09	132,230.95
Non-current assets	7,348,672.34	13,826,129.78
Total assets	23,693,253.59	23,615,168.43
Current liabilities	15,019,649.50	10,922,246.20
Non-current liabilities	573,934.33	467,570.74
Total liabilities	15,593,583.83	11,389,816.94
Minority interest	-	-
Equity attributable to shareholders of the parent company	8,099,669.76	12,225,351.49
Shares of net assets calculated as per the shareholding proportion	3,348,361.41	6,112,675.75
Adjustments	-	-
- Goodwill	-	-
- Unrealized profit of internal transaction	-	-
- Others	-	-
Book value of equity investment in joint ventures	3,348,361.41	6,112,675.74
Fair value of equity investment in joint ventures with public offer	22,933,072.75	20,640,944.43
Operating revenue	22,933,072.75	20,640,944.43
Financial expenses	-1,273,609.09	2,423,659.89
Income tax expenses	-	-
Net profit	1,807,179.43	-1,487,406.07
Net profit of terminated operation	-	-
Other comprehensive incomes	-5,932,861.16	-749,842.22
Total comprehensive incomes	-4,125,681.73	-2,237,248.29
Dividends received from joint ventures of current year	-	587,004.45

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

VIII. INTERESTS IN OTHER ENTITIES (Continued)**2. Interests in joint ventures or associates (Continued)****(3) Main financial information of important associates**

Item	As at 31/12/2016/2016		As at 31/12/2015/2015	
	Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Sinoma Group Finance Co., Ltd.	Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Sinoma Group Finance Co., Ltd.
Current assets:	72,309,340.82	6,525,829,723.73	68,058,552.20	3,502,454,651.94
Including: cash and cash equivalents	15,448,974.78	6,247,597,112.37	12,336,547.20	3,327,648,390.86
Non-current assets	24,437,900.08	1,889,551,694.43	23,433,331.94	1,445,306,723.32
Total assets	96,747,240.90	8,415,381,418.16	91,491,884.14	4,947,761,375.26
Current liabilities:	6,495,330.44	7,806,568,535.76	3,971,742.47	4,374,611,507.15
Non-current liabilities	774,866.23	–	2,155,275.15	–
Total liabilities	7,270,196.67	7,806,568,535.76	6,127,017.62	4,374,611,507.15
Minority interest	74,204.68	–	74,213.16	–
Equity attributable to shareholders of the parent company	89,402,839.55	608,812,882.40	85,290,653.36	573,149,868.11
Shares of net assets calculated as per the shareholding proportion	18,408,044.67	182,643,864.72	17,561,345.53	171,944,960.43
Adjustments	–	–	–	–
– Goodwill	–	–	–	–
– Unrealized profit of internal transaction	–	–	–	–
– Others	–	–	–	–
Book value of equity investments in associates	20,151,118.52	182,265,245.19	19,224,244.70	172,034,225.97
Fair value of equity investment in associates with public offer	–	–	–	–
Operating revenue	50,314,191.52	115,444,517.10	44,972,252.72	104,688,813.58
Financial expenses	-1,087,598.74	–	-257,533.46	–
Income tax expenses	537,881.53	12,830,017.17	335,362.33	10,240,764.75
Net profit	3,999,343.38	39,303,397.39	2,598,887.98	30,647,942.11
Net profit of terminated operation	–	–	–	–
Other comprehensive incomes	–	–	–	–
Total comprehensive incomes	3,999,343.38	39,303,397.39	2,598,887.98	30,647,942.11
Dividends received from associates of current year	–	1,560,000.00	–	2,550,000.00

(4) Summary of financial information of unimportant joint ventures and associates

Item	As at 31/12/2016/ 2016	As at 31/12/2015/ 2015
Associate:		
Total book value of investment	29,714,457.70	21,640,566.27
Total amounts calculated based on shareholding proportion of unimportant joint ventures and associates		
– Net profit	1,459,786.90	-22,114.31
– Other comprehensive incomes	–	–
– Total comprehensive incomes	1,459,786.90	-22,114.31

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

Major financial instruments of the Group include loans, receivables, payables, trading financial assets, trading financial liabilities, etc. See VI in the Notes for more details about each financial instrument. The risks concerning these financial instruments, as well as the risk management measures applied to mitigate these risks are stated as follows. The management of the Group manages and monitors the risk exposure, to ensure that the risks mentioned above are controlled to the extent limited.

1. Risk management objectives and policies

The objective of the risk management activities of the Group is to achieve a proper balance between risk and benefit, so as to minimize the negative effect of risks on the business performance of the Group and to maximize interest of shareholders and other equity investors. Based on this objective of risk management, the basic strategy of risk management of the Group is to identify and analyze the risks of all kinds the Group faces, so as to set a proper bottom line of risk tolerance for risk management, and to supervise the risks of all kinds in a timely and reliable way, so as to control the risks to the limited range.

(1) Market risks

1) Exchange rate risk

The Group takes an exchange rate risk mainly due to substantial dollar, Euro, IDR and Saudi Riyal incomes. As at 31 December 2016, there were a large amount of balance settled in dollar, Euro, IDR and Saudi Riyal on the balance sheet, as shown in the table below. The exchange rate risk associated with the assets and liabilities of dollar, Euro, IDR and Saudi Riyal balances may have influence on the Group's business performance.

Item	As at 31 December 2016	As at 1 January 2016
Monetary funds (USD)	642,016,390.19	451,126,319.92
Monetary funds (EUR)	81,572,141.57	170,027,897.84
Monetary funds (IDR)	33,923,307,716.78	120,348,017,220.00
Monetary funds (SAR)	43,086,418.50	24,372,983.55
Accounts receivable (USD)	110,721,117.62	163,006,522.74
Accounts receivable (EUR)	44,251,342.60	39,899,837.55
Accounts receivable (IDR)	419,141,165,181.36	309,553,483,760.00
Accounts receivable (SAR)	78,137,551.98	242,105,812.97
Other receivables (USD)	5,384,252.79	163,773.03
Other receivables (EUR)	1,802,975.54	2,524,336.16
Other receivables (IDR)	94,093,686,331.39	2,073,603,560.00
Other receivables (SAR)	1,916,120.81	1,053,651.59
Accounts payable (USD)	14,664,927.00	15,562,181.12
Accounts payable (EUR)	20,953,157.77	16,446,819.45
Accounts payable (IDR)	219,757,320,638.38	226,708,080,140.00
Accounts payable (SAR)	58,432,828.62	93,097,988.07
Other payables (USD)	4,900,923.87	1,939,489.52
Other payables (EUR)	1,382,195.01	513.09
Other payables (IDR)	611,078,516,018.88	17,513,302,360.00
Other payables (SAR)	2,844,327.52	3,136,800.53
Short-term borrowings (USD)	–	26,332,410.43
Short-term borrowings (EUR)	4,292,031.53	28,759,803.63
Short-term borrowings (SAR)	18,700,000.00	–
Long-term borrowings (USD)	–	50,000,000.00
Long-term borrowings (EUR)	25,001,791.25	34,005,934.32

The Group keeps a close eye on the effect on the Group from the fluctuation in exchange rates.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)**1. Risk management objectives and policies (Continued)****(1) Market risks (Continued)**

1) Exchange rate risk (Continued)

The Group attaches importance to the study of exchange rate risk management policies and strategies. To avoid the exchange rate risk in foreign exchange earnings, repayment of loans and interest expenses, the Group has entered into a number of forward foreign exchange contracts with banks. The changes in fair values arising from derivative financial instruments have been included in the profit or loss. Meanwhile, with the increase in the proportion of international business, if the Group has uncontrollable risks such as appreciation of the RMB and others, the Group will reduce the resulting risks by adjusting the sales policy.

2) Interest rate risk

The interest rate risk of the Group arises from the interest-bearing debts, such as bank borrowings, short-term financing bonds payable and bonds payable. Due to financial liabilities with floating interest rate, the Group faces cash flow interest rate risk; due to financial liabilities with fixed interest rate, the Group faces fair value interest rate risk. As at 31 December 2016, the Group's interest-bearing debt with fixed interest rate was RMB24,088,902,465.89 and the interest-bearing debt with floating interest rate was RMB9,189,052,363.70. The Group decides the relative proportion of the fixed interest rate and floating interest rate contracts in accordance with the current market environment.

3) Price risk

The Group purchases materials and sells products at market prices. The Group, therefore, is affected by fluctuations in sales prices of such raw materials and products. For raw materials, the effect of fluctuations in steel, coal, electricity and natural gas prices is the most significant; for sales products, the effect of fluctuations in prices of cement products and technology products is the most significant. In addition, the Group's shares classified as available-for-sale financial assets are invested in domestic listed A shares and funds. Therefore, the Group takes the market price risks of equity securities.

(2) Credit risks

As at 31 December 2016, the most significant credit risk exposure that is likely to cause the financial loss of the Group mainly comes from the loss of the financial asset of the Group incurred from the failure of the other party of contract to perform his obligation, as well as the financial guarantee undertaken by the Group.

The carrying amounts of the financial assets that have been recognized in the consolidated balance sheet; for any financial instrument measured at the fair value, the carrying amount indicates its risk exposure, but not the most significant one, which will change along with the fluctuation in the fair value in the future.

To reduce the credit risk, the Group performs the credit & risk exposure management and credit approval, and executes other monitoring procedures to ensure that the necessary measures are taken to recover the overdue claims. The Group reviews the recovery situation of each single receivable on each balance sheet date, to ensure drawing of sufficient provision for bad debts for irrecoverable amount. Therefore, the management believes that credit risks borne by this Group have been reduced significantly.

The current funds of this Group are deposited in banks with relatively higher credit rating, thus the credit risk of current funds is relatively low.

The Group takes necessary policies to ensure that all the trade debtors have good credit records. Apart from the top five entities with largest amount in "receivables", the Group has no other significant credit concentration risks.

Total amount of the top five entities with largest amount in "accounts receivable" is RMB1,076,891,570.14.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Risk management objectives and policies (Continued)

(3) Liquidity risks

Liquidity risk is a risk that the Group cannot perform its financial obligations till the due date. For management of the Group's liquidity risk, enough financial liquidity shall be guaranteed to perform the matured debts and thus to avoid unacceptable losses or damages to the Group's credit. The Group will analyze the debts structure and duration regularly so as to make sure there is sufficient capital. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. Meanwhile, financing consultation will be performed with the financial institutions to keep a certain credit line and reduce the liquidity risk.

X. DISCLOSURE OF FAIR VALUE

1. Measurement level of amount and fair value of assets and liabilities measured at fair value at the end of the year

Item	As at 31/12/2016			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	5,302,903.32	–	–	5,302,903.32
Trading financial assets	5,302,903.32	–	–	5,302,903.32
– Open-end monetary funds	5,302,903.32	–	–	5,302,903.32
(II) Available-for-sale financial assets	2,521,512,211.50	–	–	2,521,512,211.50
Equity instrument investment	2,521,512,211.50	–	–	2,521,512,211.50
Total amount of assets continuously measured at fair value	2,526,815,114.82	–	–	2,521,512,211.50
(I) Financial liabilities at fair value through profit or loss	–	2,562,715.43	–	2,562,715.43
Trading financial liabilities	–	2,562,715.43	–	2,562,715.43
– Forward foreign exchange contract	–	2,562,715.43	–	2,562,715.43
Total amount of liabilities continuously measured at fair value	–	2,562,715.43	–	2,562,715.43

2. Basis for determination of market prices of items subject to continuous and non-continuous level 1 fair value measurement

"Available-for-sale financial assets – equity instrument investment" refers to A-shares and funds issued in Shanghai Stock Exchange and Shenzhen Stock Exchange. The market price shall be determined based on the closing price on the last trading day at the end of the year.

3. Valuation techniques and qualitative and quantitative information about key parameters of items subject to continuous and non-continuous level 2 fair value measurement

The evaluation technique of trading financial liabilities in the form of forward foreign exchange contract is discount cash flow, i.e. the future cash flow is calculated as per the observable forward exchange rate at the end of the year and the forward exchange rate of the contract and can reflect credit risks of enterprises in the same industry.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(I) Relationship of related parties****1. Controlling shareholder**

(1) Controlling shareholder

Controlling shareholder	Registration place	Nature of business	Registered capital (RMB million)	Proportion of shareholding in the company (%)	Proportion of voting right in the company (%)
China National Materials Group Corporation Ltd.	Xicheng District, Beijing	Investment management	1,887.48	41.84	41.84

(2) Registered capital of the controlling shareholder and changes

Controlling shareholder	As at 31/12/2015 (RMB million)	Increase in current year	Decrease in current year	As at 31/12/2016 (RMB million)
China National Materials Group Corporation Ltd.	1,887.48	-	-	1,887.48

(3) Shares or equity held by the controlling shareholder and changes

Controlling shareholder	Amount of shareholding		Proportion of shareholding (%)	
	As at 31/12/2016	As at 31/12/2015	Proportion as at 31/12/2016	Proportion as at 31/12/2015
China National Materials Group Corporation Ltd.	1,494,416,985.00	1,494,416,985.00	41.84	41.84

2. Subsidiaries

For details of subsidiaries, please refer to contents of "VIII. 1. (1) Details of main subsidiaries" in the Notes.

3. Joint ventures and associates

For details of important joint ventures or associates of the Company, please refer to contents of "VIII. 2. (1) Important joint ventures or associates" in the Notes. The joint ventures or associates involved in related party transactions with the Company in current year or in previous period with balance created are as follows:

Name	Relationship
Taishan Fiberglass South Africa (PTY) Ltd.	Joint venture
Hanzhong Hanjiang Concrete Co., Ltd.	Associate
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Associate
Sinoma Group Finance Co., Ltd.	Associate
Hangzhou Qiangshi Engineering Materials Co., Ltd.	Associate

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties

Name	Relationship
Hunan Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Zhuzhou Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Beijing Glass Fiber Research & Design Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Changde Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Gansu Construction Investment Building Material CO., Ltd.	Other enterprise controlled by the same controlling shareholder
Tianshui Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder
Hunan Huadi Mining Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Hunan Building Material and Geological Engineering Survey Institute	Other enterprise controlled by the same controlling shareholder
Hunan Zhongfei Foundation Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Jiancai Tianshui Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder
Jiancai Urumqi Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder
Nantong Wanda Boiler Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Ningxia Building Materials Yinchuan Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder
Qinghai Kunlunshan Mining Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Shandong Building Materials Research Institute of Surveying and Mapping	Other enterprise controlled by the same controlling shareholder
Shenzhen Nanhua Geotechnical Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Suzhou Kaipu Geotechnical Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma (Tianjin) Construction Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Toksun Tianshan Building Material and Mining Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Wuhai Sinoma Energy Saving and Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Wuhan Building Material Industry Design & Research Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xian Building Material and Geological Engineering Survey Institute	Other enterprise controlled by the same controlling shareholder
Xianyang Design & Research Institute of Non-metallic Minerals	Other enterprise controlled by the same controlling shareholder
Xiangtan Sinoma Energy Saving and Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Guo Tong Pipeline Co., Ltd	Other enterprise controlled by the same controlling shareholder
Xinjiang Jianhua Industrial Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Jinjian Building Material Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Tianshan Dipai Ceramics Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Tianshan Building Materials (Group) Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Tianshan Building Materials & Machinery Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Tianshan Building Materials Group Refractory Material Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Tianshan Building Materials Group Casting Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Tianshan Building Materials Industrial Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Yili Guotong Pipework Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Yinchuan Anpu Security Technology Consulting Center	Other enterprise controlled by the same controlling shareholder
Yunan Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Yunfu Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma Geological Engineering Exploration Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma Trading Corporation Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma Science and Development Center Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma-EC (Wuhan) Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma Energy Conservation Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma Synthetic Crystals Research Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder
China Kaolin Clay Co., Ltd.	Other enterprise controlled by the same controlling shareholder
China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation	Other enterprise controlled by the same controlling shareholder
China National Building Material Equipment Co., Ltd.	Other enterprise controlled by the same controlling shareholder

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(I) Relationship of related parties (Continued)****4. Other related parties (Continued)**

Name	Relationship
Gansu Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Guangdong Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Hunan Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Jilin Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Jiangsu Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Ningxia Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Qinghai Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Sichuan Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
China Building Materials Industrial Construction Tangshan Installation Engineering Corporation	Other enterprise controlled by the same controlling shareholder
China National Materials Industry Import & Export Corporation	Other enterprise controlled by the same controlling shareholder
Zhuzhou Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Jiancai Guangzhou Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder
Hanzhong Sinoma Energy Saving and Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Luoding Hualei Mining Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Xinjiang Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder
Yunfu Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Tianshui Sanhe Digital Surveying and Mapping Institute	Other enterprise controlled by the same controlling shareholder
China Building Materials Academy	Other enterprise controlled by the same controlling shareholder
Liaoning Sinoma Geological Exploration and Mining Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Hubei Sinoma Standard Sand Sales Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Guizhou Tianxing Standard Sand Supply Station	Other enterprise controlled by the same controlling shareholder
China Kaolin Clay Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Sinoma Zhuzhou Hongbo Co., Ltd.	Other enterprise controlled by the same controlling shareholder
Nanjing Meihong Abrasives Co., Ltd.	Other related party
Nanjing Shuangwei Biotechnology Co., Ltd.	Other related party
Chengdu Emico Electromechanical Co., Ltd.	Other related party
Jiangxi Saiwei LDK Solar Energy High-tech Ltd.	Other related party
Jiangxi Yiyuan Insulator Co., Ltd.	Other related party
Lianyungang Taosheng Fused Quartz Co., Ltd.	Other related party
Nanjing Tongtian Science & Technology Industrial Co., Ltd.	Other related party
Wenzhou Kuncai Pearlescent Pigment Co., Ltd.	Other related party
China West Construction Group Co., Ltd. and its affiliated companies	Other related party
Xinjiang Huatai Heavy Chemical Co., Ltd.	Other related party
Xinjiang Jinjian Building Material Co., Ltd.	Other related party
Nanjing Tongtian Rockwool Co., Ltd.	Other related party
Shandong Jinjing Science and Technology Stock Co., Ltd.	Other related party
Gansu Building Element Engineering Co., Ltd.	Other related party
Geological Survey Center of China Building Materials Industry	Other related party
Tongda Refractory Technologies Co., Ltd.	Other related party

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transaction

1. Related party transactions of purchasing or selling goods and rendering or receiving services

(1) Procurement of goods/Acceptance of services

Related party	Content of related party transaction	2016	2015
I. Joint ventures and associates		222,461.54	60,000.00
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Procurement of goods	461.54	-
*Sinoma Group Finance Co., Ltd.	Financial services	222,000.00	60,000.00
II. Other enterprises controlled by the same controlling shareholder		370,336,610.00	449,612,502.59
*Sinoma Energy Conservation Ltd.	Procurement of goods & Acceptance of services	120,305,026.96	116,737,065.76
*Hunan Huadi Mining Co., Ltd.	Procurement of goods	47,652,027.44	47,907,147.82
*Xinjiang Tianshan Building Materials Group Refractory Material Co., Ltd.	Procurement of goods	13,745,104.94	22,076,009.62
*Yunfu Sinoma-EC Cogeneration Co., Ltd.	Procurement of goods & Acceptance of services	24,566,598.29	24,035,824.05
*Xiangtan Sinoma Energy Saving and Cogeneration Co., Ltd.	Procurement of goods & Acceptance of services	18,956,284.60	17,907,784.62
*Zhuzhou Sinoma-EC Cogeneration Co., Ltd.	Procurement of goods & Acceptance of services	17,670,184.60	16,188,023.10
*Xinjiang Jianhua Industrial Co., Ltd.	Procurement of goods & Acceptance of services	14,618,681.90	4,085,150.04
*Xinjiang Tianshan Building Materials Group Casting Co., Ltd.	Procurement of goods	1,710,012.17	8,622,731.22
*Nantong Wanda Boiler Co., Ltd.	Procurement of goods	16,285,547.88	8,188,034.19
*Changde Sinoma-EC Cogeneration Co., Ltd.	Procurement of goods & Acceptance of services	8,216,141.54	8,423,421.03
*Xinjiang Tianshan Building Materials & Machinery Co., Ltd.	Procurement of goods	-	498,766.39
*Xinjiang Tianshan Building Materials (Group) Co., Ltd.	Procurement of goods	1,288,540.51	2,460,848.82
*Xinjiang Tianshan Building Materials Industrial Co., Ltd.	Procurement of goods	-	6,281,902.38
*Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd.	Procurement of goods	-	3,178.04

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(II) Related party transaction (Continued)****1. Related party transactions of purchasing or selling goods and rendering or receiving services (Continued)****(1) Procurement of goods/Acceptance of services (Continued)**

Related party	Content of related party transaction	2016	2015
*Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	Procurement of goods	9,405,576.67	350.00
*Jiancai Urumqi Institute of Geological Engineering Survey	Procurement of goods	–	69,000.00
*Sinoma-EC (Wuhan) Co., Ltd.	Procurement of goods	88,888.88	1,379,874.78
*Guangdong Team of Geological Survey Center of China Building Materials Industry	Procurement of goods	–	943,396.22
*Yunan Sinoma-EC Cogeneration Co., Ltd.	Procurement of goods & Acceptance of services	8,516,675.55	9,742,873.84
*Hanzhong Sinoma Energy Saving and Cogeneration Co., Ltd.	Acceptance of labour services	11,272,408.24	12,605,700.95
*Luoding Hualei Mining Co., Ltd.	Procurement of goods	17,091,026.46	22,319,005.37
*Suzhou Kaipu Geotechnical Engineering Co., Ltd.	Acceptance of services	21,047,516.34	56,311,092.86
*Sichuan Team of Geological Survey Center of China Building Materials Industry	Acceptance of services	1,773,057.59	3,287,520.90
*Beijing Glass Fiber Research & Design Institute Co., Ltd.	Acceptance of services	4,169,738.64	5,008,230.42
*Shenzhen Nanhua Geotechnical Engineering Co., Ltd.	Acceptance of services	1,036,666.99	38,757,831.57
*Gansu Team of Geological Survey Center of China Building Materials Industry	Acceptance of services	528,867.91	2,927,547.12
*Jiancai Tianshui Institute of Geological Engineering Survey	Acceptance of services	–	595,360.74
Sinoma Synthetic Crystals Research Institute Co., Ltd.	Acceptance of services	5,974,975.26	6,266,113.10
*Sinoma Science and Development Center Co., Ltd.	Acceptance of services	58,689.32	95,000.00

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transaction (Continued)

1. Related party transactions of purchasing or selling goods and rendering or receiving services (Continued)

(1) Procurement of goods/Acceptance of services (Continued)

Related party	Content of related party transaction	2016	2015
*Ningxia Team of Geological Survey Center of China Building Materials Industry	Acceptance of services	381,132.08	55,000.00
*Hunan Team of Geological Survey Center of China Building Materials Industry	Acceptance of services	86,132.08	161,132.08
*Yinchuan Anpu Security Technology Consulting Center	Acceptance of services	156,792.45	550,000.00
*Jiangsu Team of Geological Survey Center of China Building Materials Industry	Acceptance of services	47,169.81	47,169.81
*Xinjiang Team of Geological Survey Center of China Building Materials Industry	Acceptance of services	2,549,056.55	5,043,490.56
*Hunan Building Material and Geological Engineering Survey Institute	Acceptance of services	10,485.44	-
*Ningxia Building Materials Yinchuan Institute of Geological Engineering Survey	Acceptance of services	74,551.96	-
*China Building Materials Academy	Acceptance of services	493,679.24	-
*Wuhan Building Material Industry Design & Research Institute Co., Ltd.	Acceptance of services	943.40	-
*Tianshui Sanhe Digital Surveying and Mapping Institute	Acceptance of services	18,867.92	-
*Shandong Building Materials Research Institute of Surveying and Mapping	Acceptance of services	539,590.39	-
III. Other related parties		14,677,093.91	8,671,911.94
Xinjiang Huatai Heavy Chemical Co., Ltd.	Procurement of goods	-	8,081,866.94
Xinjiang Jinjian Building Material Co., Ltd.	Procurement of goods		590,045.00
Shandong Jinjing Science and Technology Stock Co., Ltd.	Acceptance of services	715,706.73	-
Tongda Refractory Technologies Co., Ltd.	Procurement of goods	13,961,387.18	-
Total		385,236,165.45	458,344,414.53

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(II) Related party transaction (Continued)****1. Related party transactions of purchasing or selling goods and rendering or receiving services (Continued)****(2) Selling goods/Provision of services**

Related party	Content of related party transaction	2016	2015
I. Joint ventures and associates		16,148,733.52	14,367,041.97
Taishan Fiberglass South Africa (PTY) Ltd.	Selling goods	15,802,369.20	14,166,841.97
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Selling goods	260,350.99	200,200.00
Hangzhou Qiangshi Engineering Materials Co., Ltd.	Selling goods	86,013.33	–
II. Other enterprises controlled by the same controlling shareholder		17,332,287.46	24,364,814.35
*Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	Selling goods	1,141,360.33	10,346,200.85
*Xinjiang Jianhua Industrial Co., Ltd.	Selling goods	109,623.93	1,751,333.10
*Xinjiang Guo Tong Pipeline Co., Ltd	Selling goods	–	613,213.12
*China National Materials Industry Import & Export Corporation	Selling goods	2,185,319.84	2,115,623.59
*Sinoma Synthetic Crystals Research Institute Co., Ltd.	Selling goods	56,645.67	4,482,338.89
*Sinoma Energy Conservation Ltd.	Selling goods	2,338,461.64	2,306,797.68
*Suzhou Kaipu Geotechnical Engineering Co., Ltd.	Selling goods	1,115,914.53	24,047.01
*Hunan Zhongfei Foundation Engineering Co., Ltd.	Selling goods	561,037.68	–
*China Kaolin Clay Co., Ltd.	Selling goods	682,113.21	96,510.68
*Jilin Team of Geological Survey Center of China Building Materials Industry	Selling goods	–	113,207.54
*Wuhai Sinoma Energy Saving and Cogeneration Co., Ltd.	Selling goods	48,258.79	75,000.20
*Qinghai Team of Geological Survey Center of China Building Materials Industry	Selling goods	–	20,000.00
*Yili Guotong Pipework Co., Ltd.	Selling goods	–	282,488.88
*Xinjiang Tianshan Building Materials (Group) Co., Ltd.	Selling goods	–	215,333.33
*Changde Sinoma-EC Cogeneration Co., Ltd.	Provision of services	905,703.09	834,180.38

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transaction (Continued)

1. Related party transactions of purchasing or selling goods and rendering or receiving services (Continued)

(2) Selling goods/Provision of services (Continued)

Related party	Content of related party transaction	2016	2015
*Gansu Team of Geological Survey Center of China Building Materials Industry	Selling goods	37,735.85	–
*Jiancai Urumqi Institute of Geological Engineering Survey	Selling goods	19,145.30	–
*Toksun Tianshan Building Material and Mining Co., Ltd.	Selling goods	25,641.03	–
*Liaoning Sinoma Geological Exploration and Mining Development Co., Ltd.	Selling goods	1,367,910.91	–
*Hubei Sinoma Standard Sand Sales Co., Ltd.	Selling goods	1,986,730.15	–
*Guizhou Tianxing Standard Sand Supply Station	Selling goods	2,269,997.25	–
*Sinoma Science and Development Center Co., Ltd.	Selling goods	47,169.81	–
*Jiancai Tianshui Institute of Geological Engineering Survey	Selling goods	38,529.91	–
*Yinchuan Anpu Security Technology Consulting Center	Selling goods	56,603.77	–
*Yunfu Sinoma-EC Cogeneration Co., Ltd.	Provision of service	973,405.88	–
*Beijing Glass Fiber Research & Design Institute Co., Ltd.	Provision of service	1,046,110.97	956,463.10
*Geological Survey Center of China Building Materials Industry	Provision of service	318,867.92	132,076.00
III. Other related parties		129,964,105.37	89,628,297.23
Jiangxi Saiwei LDK Solar Energy High-tech Ltd.	Selling goods	74,884,492.73	48,959,444.02
China West Construction Group Co., Ltd. and its affiliated companies	Selling goods	24,114,482.46	15,880,058.98
China West Construction Group Co., Ltd. and its affiliated companies	Selling goods	23,989,700.24	–
Jiangxi Yiyuan Insulator Co., Ltd.	Selling goods	30,727,113.38	24,556,535.94
Nanjing Tongtian Science & Technology Industrial Co., Ltd.	Provision of service	14,333.43	30,260.00
Nanjing Shuangwei Biotechnology Co., Ltd.	Selling goods	87,977.67	70,698.29
Nanjing Meihong Abrasives Co., Ltd.	Provision of service	123,033.32	131,300.00
Nanjing Tongtian Rockwool Co., Ltd.	Provision of service	12,672.38	–
Total		163,445,126.35	128,360,153.55

*Note: The connected transactions and continuing connected transactions as defined by the Company under Chapter 14A of the Listing Rules of HKEX include the above related party transactions.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(II) Related party transaction (Continued)****2. Related party renting****(1) Renting conditions**

Lessor	Lessee	Type of leased assets	Recognized leasing income of this year	Recognized leasing income of last year
Sinoma International Trading (Beijing) Co., Ltd.	Sinoma Group Finance Co., Ltd.	Premises and buildings	2,224,123.00	1,676,936.00
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Premises and buildings	1,989,733.11	996,292.68
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Platinum	35,599.20	37,241.41
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Tongtian Rockwool Co., Ltd.	Premises and buildings	16,866.08	15,754.60
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Tongtian Science & Technology Industrial Co., Ltd.	Premises and buildings	142,648.93	62,132.68
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Meihong Abrasives Co., Ltd.	Premises and buildings	671,530.27	466,451.40
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Shuangwei Biotechnology Co., Ltd.	Premises and buildings	139,114.70	77,999.04

(2) Leasing conditions

Lessor	Lessee	Type of leased assets	Recognized rental expense of this year	Recognized rental expense of last year
*China National Materials Group Corporation Ltd.	China National Materials Company Limited	Premises and buildings	3,417,078.02	7,175,863.50
*Sinoma Zhuzhou Hongbo Co., Ltd.	Sinoma Technical Service Co., Ltd.	Premises and buildings	200,000.00	200,000.00
*Beijing Glass Fiber Research & Design Institute Co., Ltd.	Beijing Composite Materials Co., Ltd.	Premises and buildings	1,814,750.24	2,911,051.34
*Beijing Glass Fiber Research & Design Institute Co., Ltd.	Sinomatech Wind Power Blade Co., Ltd.	Premises and buildings	458,347.00	396,540.00
*Beijing Glass Fiber Research & Design Institute Co., Ltd.	Beijing Sinoma Composite Auto Parts Co., Ltd.	Premises and buildings	54,621.26	86,252.32
*Sinoma Synthetic Crystals Research Institute Co., Ltd.	Beijing Sinoma Synthetic Crystals Co., Ltd.	Premises and buildings	319,967.53	324,000.00
*Sinoma Synthetic Crystals Research Institute Co., Ltd.	Beijing Tiandi Orient Superhard Materials Co., Ltd.	Premises and buildings	152,313.50	152,313.50
Gansu Building Element Engineering Co., Ltd.	Lanzhou Yonggu Qilianshan Cement Co., Ltd.	Land and equipment	1,903,814.78	2,013,212.50

*Note: The connected transactions and continuing connected transactions as defined by the Company under Chapter 14A of the Listing Rules of HKEX include the above related party transactions.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transaction (Continued)

3. Lending and borrowing between related parties

Item	As at 31/12/2016	Commencement	Maturities	Interest rate
Deposit in Sinoma Group Finance Co., Ltd.	4,852,398,223.75	–	–	–
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2016.03.24	2017.03.24	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2016.04.06	2017.04.06	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	60,000,000.00	2016.06.30	2017.06.30	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	180,000,000.00	2016.08.04	2017.08.04	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	200,000,000.00	2016.10.17	2017.10.17	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2016.10.24	2017.10.24	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	50,000,000.00	2016.11.22	2017.11.22	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2016.12.28	2017.12.28	4.13%
Borrowing from Sinoma Group Finance Co., Ltd.	300,000,000.00	2016.12.29	2017.12.29	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	505,000,000.00	2016.12.29	2017.12.29	4.13%

(III) Balance of related party

1. Receivables

Item	Related party	As at 31/12/2016		As at 31/12/2015	
		Book balance	Bad debt provision	Book balance	Bad debt provision
I. Parent company					
Other receivables	China National Materials Group Corporation Ltd.	382,688.27	19,134.41	706,210.27	35,310.51
II. Joint ventures and associates					
Accounts receivable	Hanzhong Hanjiang Concrete Co., Ltd.	–	–	597,181.13	29,859.06
Accounts receivable	Taishan Fiberglass South Africa (PTY) Ltd.	10,798,070.10	539,617.46	9,750,817.82	487,540.89
Other receivables	Taishan Fiberglass South Africa (PTY) Ltd.	769,375.46	–	723,643.82	36,182.19
III. Other enterprises controlled by the same controlling shareholder					
Accounts receivable	Beijing Glass Fiber Research & Design Institute Co., Ltd.	–	–	440,504.24	22,025.21
Accounts receivable	Hunan Huadi Mining Co., Ltd.	–	–	3,681,343.45	184,067.17
Accounts receivable	Wuhan Building Material Industry Design & Research Institute Co., Ltd.	83,600.00	4,180.00	1,877,400.00	93,870.00
Accounts receivable	Xinjiang Jianhua Industrial Co., Ltd.	–	–	1,333,579.90	66,679.00
Accounts receivable	Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	731,677.61	14,633.55	1,073,789.00	53,689.45
Accounts receivable	Sinoma Energy Conservation Ltd.	3,260,800.00	163,040.00	3,726,115.00	186,305.75
Accounts receivable	China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation	23,848,170.51	23,848,170.51	23,848,170.51	23,848,170.51
Accounts receivable	China National Building Material Equipment Co., Ltd.	566,000.00	113,200.00	566,000.00	56,600.00

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(III) Balance of related party intercourse funds (Continued)****1. Receivables (Continued)**

Item	Related party	As at 31/12/2016		As at 31/12/2015	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd.	1,346,344.42	134,634.44	1,384,083.07	69,204.15
Accounts receivable	China Building Materials Industrial Construction Tangshan Installation Engineering Corporation	-	-	175,196.10	8,759.81
Accounts receivable	Tianshui Institute of Geological Engineering Survey	82,000.00	8,200.00	82,000.00	4,100.00
Accounts receivable	Zhuzhou Sinoma-EC Cogeneration Co., Ltd.	-	-	1,955,045.00	97,752.25
Accounts receivable	Sinoma Synthetic Crystals Research Institute Co., Ltd.	9,560.00	478.00	-	-
Other receivables	China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation	28,920,968.32	28,920,968.32	28,920,968.32	28,920,968.32
Other receivables	Xianyang Design & Research Institute of Non-metallic Minerals	507,130.03	101,426.01	507,130.03	50,713.00
Other receivables	Sinoma Synthetic Crystals Research Institute Co., Ltd.	-	-	5,000.00	250.00
Other receivables	Beijing Glass Fiber Research & Design Institute Co., Ltd.	817,928.26	40,896.41	-	-
Other receivables	Wuhai Sinoma Energy Saving and Cogeneration Co., Ltd.	56,462.78	1,693.88	-	-
Prepayment	Beijing Glass Fiber Research & Design Institute Co., Ltd.	-	-	957,039.82	-
Prepayment	Xinjiang Jianhua Industrial Co., Ltd.	-	-	4,184,656.00	-
Prepayment	Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	-	-	350.00	-
Prepayment	Sinoma Synthetic Crystals Research Institute Co., Ltd.	-	-	2,016.00	-
Prepayment	Hunan Zhongfei Foundation Engineering Co., Ltd.	-	-	49,856.63	-
Prepayment	Nantong Wanda Boiler Co., Ltd.	7,080,505.63	-	-	-
Prepayment	Shandong Building Materials Research Institute of Surveying and Mapping	200,000.00	-	-	-
Prepayment	Suzhou Kaipu Geotechnical Engineering Co., Ltd.	5,214,248.18	-	-	-
Prepayment	Xinjiang Tianshan Building Materials Group Casting Co., Ltd.	-	-	4,937,466.47	-
Prepayment	Sinoma Geological Engineering Exploration Institute Co., Ltd.	870,000.00	-	870,000.00	-
Prepayment	Sinoma-EC (Wuhan) Co., Ltd.	-	-	52,000.00	-
Prepayment	Sinoma Energy Conservation Ltd.	1,700.00	-	43,399,249.61	-
Prepayment	Sichuan Team of Geological Survey Center of China Building Materials Industry	13,050.00	-	457,953.98	-
Prepayment	Gansu Team of Geological Survey Center of China Building Materials Industry	-	-	280,000.00	-

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of related party intercourse funds (Continued)

1. Receivables (Continued)

Item	Related party	As at 31/12/2016		As at 31/12/2015	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Prepayment	Xinjiang Tianshan Building Materials Group Refractory Material Co., Ltd.	30,000,000.00	-	24,779,913.36	-
Prepayment	Qinghai Kunlunshan Mining Development Co., Ltd.	12,529,900.00	-	2,627,350.00	-
Prepayment	Jiangsu Team of Geological Survey Center of China Building Materials Industry	6,500,000.00	-	3,500,000.00	-
Prepayment	Xinjiang Tianshan Building Materials (Group) Co., Ltd.	1,501,100.00	-	1,352,990.00	-
Prepayment	Shandong Jinjing Science and Technology Stock Co., Ltd.	18,390.18	-	-	-
Prepayment	Yinchuan Anpu Security Technology Consulting Center	24,000.00	-	-	-
Prepayment	Ningxia Building Materials Yinchuan Institute of Geological Engineering Survey	31,200.00	-	-	-
Prepayment	China National Materials Industry Import & Export Corporation	314,589.85	-	-	-
Bills receivable	Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	-	-	550,000.00	-
IV. Other related parties					
Accounts receivable	Jiangxi Saiwei LDK Solar Energy High-tech Ltd.	5,101,919.54	255,095.98	2,696,706.05	134,835.30
Accounts receivable	Wenzhou Kuncai Pearlescent Pigment Co., Ltd.	1,172,380.00	234,476.00	1,172,380.00	117,238.00
Accounts receivable	Jiangxi Yiyuan Insulator Co., Ltd.	25,509,934.73	1,275,496.74	32,567,914.48	1,628,395.72
Accounts receivable	Nanjing Tongtian Science & Technology Industrial Co., Ltd.	-	-	1,600.00	80.00
Other receivables	Lianyungang Taosheng Fused Quartz Co., Ltd.	-	-	430,000.00	21,500.00
Other receivables	Jiangxi Yiyuan Insulator Co., Ltd.	1,094,349.99	54,717.50	1,738,065.26	86,903.26

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(III) Balance of related party intercourse funds (Continued)****2. Payables**

Item	Related party	As at 31/12/2016	As at 31/12/2015
	I. Parent company		
Other payables	China National Materials Group Corporation Ltd.	–	250,000,000.00
Accounts received in advance	China National Materials Group Corporation Ltd.	82,800.00	–
	II. Joint ventures and associates		
Accounts received in advance	Taishan Fiberglass South Africa (PTY) Ltd.	12,900.00	12,900.00
Accounts received in advance	Hangzhou Qiangshi Engineering Materials Co., Ltd.	5,567.60	–
Other payables	Sinoma Group Finance Co., Ltd.	379,144.00	379,144.00
	III. Other enterprises controlled by the same controlling shareholder		
Accounts payable	Changde Sinoma-EC Cogeneration Co., Ltd.	5,192,261.75	4,985,082.24
Accounts payable	Hunan Huadi Mining Co., Ltd.	84,215.53	–
Accounts payable	Zhuzhou Sinoma-EC Cogeneration Co., Ltd.	3,338,039.98	–
Accounts payable	Beijing Glass Fiber Research & Design Institute Co., Ltd.	6,930,600.58	3,763,867.36
Accounts payable	Xinjiang Tianshan Building Materials & Machinery Co., Ltd.	16,719.49	183,107.00
Accounts payable	Jiancai Tianshui Institute of Geological Engineering Survey	–	30,035.40
Accounts payable	Nantong Wanda Boiler Co., Ltd.	8,615,190.89	3,516,000.00
Accounts payable	Ningxia Building Materials Yinchuan Institute of Geological Engineering Survey	66,171.00	21,053.00
Accounts payable	Shenzhen Nanhua Geotechnical Engineering Co., Ltd.	21,571,983.32	24,079,252.79
Accounts payable	Suzhou Kaipu Geotechnical Engineering Co., Ltd.	35,020,265.05	10,841,502.47
Accounts payable	Xian Building Material and Geological Engineering Survey Institute	387,736.00	387,736.00
Accounts payable	Xiangtan Sinoma Energy Saving and Cogeneration Co., Ltd.	4,910,070.41	6,892,051.11
Accounts payable	Xinjiang Jianhua Industrial Co., Ltd.	1,158,337.99	23,128,102.55
Accounts payable	Xinjiang Tianshan Dipai Ceramics Co., Ltd.	–	22,200.00
Accounts payable	Xinjiang Tianshan Building Materials Group Refractory Material Co., Ltd.	207,987.02	615,371.78
Accounts payable	Xinjiang Tianshan Building Materials (Group) Co., Ltd.	–	20,000.00
Accounts payable	Xinjiang Tianshan Building Materials Group Casting Co., Ltd.	–	259,016.00
Accounts payable	Sinoma Trading Corporation Ltd.	21,444,126.82	21,444,126.82
Accounts payable	Sinoma Energy Conservation Ltd.	59,499,054.36	77,640,736.13
Accounts payable	Sinoma Synthetic Crystals Research Institute Co., Ltd.	408,856.35	1,377,425.44

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of related party intercourse funds (Continued)

2. Payables (Continued)

Item	Related party	As at 31/12/2016	As at 31/12/2015
Accounts payable	Sichuan Team of Geological Survey Center of China Building Materials Industry	758,948.31	662,598.43
Accounts payable	Jiangsu Team of Geological Survey Center of China Building Materials Industry	62,250.00	372,250.00
Accounts payable	Gansu Team of Geological Survey Center of China Building Materials Industry	–	403,200.00
Accounts payable	Xinjiang Tianshan Building Materials Industrial Co., Ltd.	103,687.29	261,117.29
Accounts payable	Sinoma-EC (Wuhan) Co., Ltd.	10,300.00	233,844.44
Accounts payable	Sinoma (Tianjin) Construction Co., Ltd.	–	2,319,183.84
Accounts payable	Toksun Tianshan Building Material and Mining Co., Ltd.	–	100,000.00
Accounts payable	Yinchuan Anpu Security Technology Consulting Center	70,000.00	90,000.00
Accounts payable	Guangdong Team of Geological Survey Center of China Building Materials Industry	–	285,000.00
Accounts payable	Hunan Zhongfei Foundation Engineering Co., Ltd.	49,856.63	–
Accounts payable	Yunan Sinoma-EC Cogeneration Co., Ltd.	901,081.60	–
Accounts payable	Jiancai Guangzhou Institute of Geological Engineering Survey	11,000.00	–
Accounts payable	Hanzhong Sinoma Energy Saving and Cogeneration Co., Ltd.	6,084,152.50	–
Accounts payable	Luoding Hualei Mining Co., Ltd.	70,402.66	–
Accounts payable	Xinjiang Team of Geological Survey Center of China Building Materials Industry	45,000.00	–
Accounts payable	Sinoma Science and Development Center Co., Ltd.	15,000.00	–
Accounts payable	Xianyang Design & Research Institute of Non-metallic Minerals	2,250,000.00	–
Accounts payable	Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	72,765.02	–
Accounts payable	Shandong Building Materials Research Institute of Surveying and Mapping	82,334.00	–
Accounts received in advance	Sinoma Energy Conservation Ltd.	90,000.00	858,900.00
Accounts received in advance	Sinoma Synthetic Crystals Research Institute Co., Ltd.	297,500.00	297,500.00
Accounts received in advance	China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation	660.00	660.00
Accounts received in advance	Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd.	–	5,048.00

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(III) Balance of related party intercourse funds (Continued)****2. Payables (Continued)**

Item	Related party	As at 31/12/2016	As at 31/12/2015
Accounts received in advance	Hunan Zhongfei Foundation Engineering Co., Ltd.	6,485.60	–
Accounts received in advance	Xinjiang Jianhua Industrial Co., Ltd.	93.40	–
Accounts received in advance	Suzhou Kaipu Geotechnical Engineering Co., Ltd.	738,279.35	–
Accounts received in advance	Beijing Glass Fiber Research & Design Institute Co., Ltd.	153,609.32	–
Accounts received in advance	Wuhan Building Material Industry Design & Research Institute Co., Ltd.	100,000.00	–
Accounts received in advance	China National Materials Industry Import & Export Corporation	93,688.00	–
Other payables	Sinoma Energy Conservation Ltd.	1,250,000.00	600,000.00
Other payables	Gansu Team of Geological Survey Center of China Building Materials Industry	–	207,000.00
Other payables	Nantong Wanda Boiler Co., Ltd.	–	1,660,000.00
Other payables	Sinoma Trading Corporation Ltd.	83,338,832.38	83,338,832.38
Other payables	Xinjiang Jianhua Industrial Co., Ltd.	100,000.00	110,000.00
Other payables	Beijing Glass Fiber Research & Design Institute Co., Ltd.	–	156,356.19
Other payables	Sinoma Synthetic Crystals Research Institute Co., Ltd.	11,538,810.64	10,736,302.16
Other payables	Gansu Construction Investment Building Material Co., Ltd.	–	508,511.82
Other payables	Wuhai Sinoma Energy Saving and Cogeneration Co., Ltd.	4,143,156.49	4,143,156.49
Other payables	Hunan Team of Geological Survey Center of China Building Materials Industry	161,397.00	161,397.00
Other payables	Jiancai Tianshui Institute of Geological Engineering Survey	50,000.00	–
Other payables	Xianyang Design & Research Institute of Non-metallic Minerals	6,934.00	–
Notes payable	Beijing Glass Fiber Research & Design Institute Co., Ltd.	1,003,200.00	500,000.00
IV. Other related parties			
Accounts payable	Xinjiang Huatai Heavy Chemical Co., Ltd.	–	17,983,312.55
Accounts payable	Nanjing Tongtian Science & Technology Industrial Co., Ltd.	–	6,422,059.05
Accounts payable	Tongda Refractory Technologies Co., Ltd.	7,920,955.86	–
Accounts received in advance	Nanjing Shuangwei Biotechnology Co., Ltd.	24,120.00	–
Other payables	Chengdu Emico Electromechanical Co., Ltd.	68,827.21	2,786,487.37

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Directors', supervisors' and senior management's remunerations

1. Benefits paid

Item	2016	2015
Fee for directors and supervisors	450,000.00	750,000.00
Basic salaries, housing allowances and other subsidies	5,291,648.94	4,752,714.41
Contributions to pension plan	644,460.54	573,580.80
Discretionary bonuses	8,301,712.47	5,902,218.00
Total	14,687,821.95	11,978,513.21

(1) Benefits paid to executive directors, non-executive directors, supervisors and senior management in current year

Name	Fee for directors and supervisors	Basic salaries, housing allowances and other allowances	Contributions to pension plan	Discretionary bonuses	Total
Executive director:					
LIU Zhijiang	-	-	-	-	-
PENG Jianxin	-	633,589.16	47,113.14	847,513.75	1,528,216.05
Subtotal	-	633,589.16	47,113.14	847,513.75	1,528,216.05
Non executive director:					
YU Shiliang	-	-	-	-	-
LI Xinhua	-	-	-	-	-
LI Jianlun	-	-	-	-	-
YU Guobo	-	-	-	-	-
TANG Baoqi	-	-	-	-	-
LEUNG Chong Shun	180,000.00	-	-	-	180,000.00
LU Zhengfei	180,000.00	-	-	-	180,000.00
WANG Shimin	-	-	-	-	-
ZHOU Zude	-	-	-	-	-
WANG Zhulin	75,000.00	-	-	-	75,000.00
SHEN Yungang	-	-	-	-	-
WANG Fengting	-	-	-	-	-
Subtotal	435,000.00	-	-	-	435,000.00
Supervisor:					
XU Weibing	-	-	-	-	-
ZHANG Hai	-	-	-	-	-
ZHANG Renjie	-	-	-	-	-
WANG Jianguo	15,000.00	-	-	-	15,000.00
QU Xiaoli	-	311,781.16	47,113.14	54,000.00	412,894.30
WANG Yingcai	-	407,187.16	47,113.14	41,000.00	495,300.30
Subtotal:	15,000.00	718,968.32	94,226.28	95,000.00	923,194.60
Subtotal of senior management :	-	3,939,091.46	503,121.12	7,359,198.72	11,801,411.30
Total	450,000.00	5,291,648.94	644,460.54	8,301,712.47	14,687,821.95

Note 1: Mr. PENG Jianxin is an executive Director and also the president of the Company, who does not receive any remuneration as a Director, and whose remuneration is for services rendered as the president.

Note 2: On 29 July 2016, Mr. SHEN Yungang and Mr. WANG Fengting were appointed as non-executive Directors, and Mr. YU Shiliang, Mr. YU Guobo and Mr. TANG Baoqi ceased to be non-executive Directors; Mr. WANG Zhulin was appointed as independent non-executive Director, Mr. WANG Shimin and Mr. ZHOU Zude ceased to be independent non-executive Directors.

Note 3: On 29 March 2016, Mr. ZHANG Renjie resigned as a Supervisor due to change of work allocation. On 24 May 2016, Mr. WANG Fengting was appointed as Supervisor. On 29 July 2016, Mr. WANG Fengting and Mr. WANG Jianguo ceased to be Supervisors, Mr. ZHANG Hai and Mr. GUO Yanming were appointed as Supervisors.

Note 4: In addition to above disclosure, in the year 2016, a number of Directors and Supervisors received remunerations from Sinoma Group, in aggregate of RMB2,146,146.12 and RMB 868,588.60.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(IV) Directors', supervisors' and senior management's remunerations (Continued)****1. Benefits paid (Continued)**

(2) Benefits paid to executive directors, non-executive directors, supervisors and senior management in previous year

Name	Fee for directors and supervisors	Basic salaries, housing allowances and other allowance	Contributions to pension plan	Discretionary bonuses	Total
Executive director:					
LIU Zhijiang	-	-	-	-	-
PENG Jianxin	-	607,069.57	44,121.60	641,549.00	1,292,740.17
Subtotal	-	607,069.57	44,121.60	641,549.00	1,292,740.17
Non executive director:					
YU Shiliang	-	-	-	-	-
LI Xinhua	-	-	-	-	-
LI Jianlun	-	-	-	-	-
YU Guobo	-	-	-	-	-
TANG Baoqi	60,000.00	-	-	-	60,000.00
LEUNG Chong Shun	180,000.00	-	-	-	180,000.00
LU Zhengfei	180,000.00	-	-	-	180,000.00
WANG Shimin	165,000.00	-	-	-	165,000.00
ZHOU Zude	150,000.00	-	-	-	150,000.00
Subtotal	735,000.00	-	-	-	735,000.00
Supervisor:					
XU Weibing	-	-	-	-	-
ZHANG Renjie	-	-	-	-	-
WANG Jianguo	15,000.00	-	-	-	15,000.00
QU Xiaoli	-	298,755.57	44,121.60	54,000.00	396,877.17
WANG Yingcai	-	393,411.57	44,121.60	36,000.00	473,533.17
Subtotal	15,000.00	692,167.14	88,243.20	90,000.00	885,410.34
Subtotal of Senior management	-	3,453,477.70	441,216.00	5,170,669.00	9,065,362.70
Total:	750,000.00	4,752,714.41	573,580.80	5,902,218.00	11,978,513.21

Note 1: Mr. PENG Jianxin is an executive Director and also the president of the Company, who does not receive any remuneration as a Director, and whose remuneration is for services rendered as the president.

Note 2: Mr. ZHANG Renjie waived his remuneration of RMB15,000.00 for the year 2015.

Note 3: In addition to above disclosure, in the year 2015, a number of Directors and Supervisors received remuneration from Sinoma Group, in aggregate of RMB3,654,035.85 and RMB682,087.17.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Directors', supervisors' and senior management's remunerations (Continued)

2. Five highest paid individuals

- (1) The emoluments of five highest paid individuals are as follows:

The five individuals whose emoluments were the highest for the year 2016 include one director (also the president) (2015: one), whose emoluments are reflected in the above contents. The emoluments payable to the remaining four (2015: four) individuals are as follows:

Item	2016	2015
Basic salaries, housing allowances and other allowances	1,954,518.64	1,816,050.28
Contributions to pension plan	188,452.56	176,486.40
Discretionary bonuses	4,055,462.88	3,674,302.00
Total	6,198,434.08	5,666,838.68

- (2) The emoluments of the above individuals fell within the following bands:

	2016 (person)	2015 (person)
From HKD 0 to HKD 1,000,000 (2016: Equivalent to RMB 0 to RMB 894,500; 2015: Equivalent to RMB 0 to RMB 837,800)	–	–
From HKD 1,000,001 to HKD 1,500,000 (2016: Equivalent to RMB 894,501 to RMB 1,341,750; 2015: Equivalent to RMB 837,801 to RMB 1,256,700)	1	3
From HKD 1,500,001 to HKD 2,000,000 (2016: Equivalent to RMB 1,341,751 to RMB 1,789,000; 2015: Equivalent to RMB 1,256,701 to RMB 1,675,600)	2	–
From HKD 2,000,001 to HKD 2,500,000 (2016: Equivalent to RMB 1,789,001 to RMB 2,236,250; 2015: Equivalent to RMB 1,675,601 to RMB 2,094,500)	1	1
Total	4	4

In current year and previous year, there is no paid or payable amount to Directors, Supervisors and high paid individuals for the purpose of facilitating the joining of these people or when they are joining the Group, and to resigned Directors, Supervisors and other management for the purpose of compensating them because of their loss of positions in the Group. The Company prepares the remuneration amount for Directors and Supervisors according to the Company's remuneration management system.

XII. CONTINGENCIES**(I) Saudi Arabia tax matters**

In 2011, the local tax authority of Saudi Arabia carried out regular tax assessment on Saudi branch of Sinoma International (hereinafter referred to as Saudi Branch), a second-level company of the Group, in terms of the tax payment of Saudi Branch in the period 2006~2008. On 20 November 2014, Saudi Branch received an assessment report from Saudi Arabia Tax Authority. According to the report, Saudi Branch should pay the short-paid taxes and fine for delaying payment (SAR 33.04 million of short-paid taxes and fine of 1% on the short-paid taxes for every 30 days) or can make an appeal within a specified time limit. Saudi Branch made an appeal to the Preliminary Tax Appeal Committee (PTAC). In May 2016, it received the notice of appeal result. PTAC has not conducted substantive review of the content of appeal and rejected the appeal of Saudi Branch. Saudi Branch, therefore, decided to make an appeal to the High Tax Appeal Committee. To meet the appeal conditions, during the Reporting Period, the Group has provided a bank guarantee amounting to SAR 68,454,303.00 and submitted a formal appeal report.

In November 2016, Saudi Branch received correspondence and relevant lists of supplementary tax payment from Saudi Arabia Tax Authority. It was informed to pay income tax and withholding tax (SAR 44,933,098.60 of income tax and SAR 32,109,933.00 of withholding tax) from 2009 to 2010, SAR 77,043,031.60 (approximately equal to RMB 140 million) in total. In addition, according to the tax law of Saudi Arabia, Saudi Branch may need to pay fine of 1% per 30 days if its appeal fails. Saudi Branch has made an appeal to the Saudi Arabian tax bureau.

The Group believes that the appeal can be justified. However, since there are uncertainties in the process of appeal, the Group could not reasonably predict the final result and amount of the contingency as of the date of approval of the financial statements.

(II) Other arbitration and litigation matters

- On 23 April 2012, Lvliang Lvyuan Building Material Co., Ltd. (hereinafter referred to as "Lvliang Lvyuan") and Sinoma Technology & Equipment Group Co., Ltd. (hereinafter referred to as "Sinoma-Tec Group"), a third-level company of the Group, signed a Cooperation Agreement on Annual Production of 300 Thousand Tons of Steel Slag Line New Project of Lvliang Lvyuan Building Material Co., Ltd. and a series of Equipment Procurement Agreements, stating that Sinoma-Tec Group provides Lvliang Lvyuan with steel slag vertical mills, equipment related to steel slag grinding mill production line and technical management consulting and that Lvliang Lvyuan pays for the equipment and technical consulting fees. On 17 May 2012 and 16 September 2013, both parties signed supplementary agreements on project cooperation. Both parties' fulfillment of the contracts is qualified through completion acceptance. On 26 November 2014, Lvliang Lvyuan appealed to Lvliang Intermediate People's Court against Sinoma-Tec Group for the reason that the equipment provided by Sinoma-Tec Group is difficult achieving the contract objectives due to its serious defects, requested for dissolution of Cooperation Agreement, Equipment Procurement Agreements and so on between them and asked the defendant to compensate RMB20,000,000 for the economic loss. As of 31 December 2016, Luliang Intermediate People's Court officially began substantive trial procedure. The plaintiff applied for accreditation of quality of the products, and the accrediting body has been entrusted. Until the date of approval of the financial statements, this case is in the process of accreditation.
- On 15 March 2013, CBMI Construction Co., Ltd. (hereinafter referred to as "CBMI Construction"), a third-level company of the Group, signed the EPC Contract of 5000 t/d CUFA Production Line Phase I of Hulun Buir Shengwei Technology Industrial Co., Ltd. with Hulun Buir Shengwei Technology Industrial Co., Ltd. (hereinafter referred to as "Shengwei Technology") and Yimin Zhongding Technology Energy Conservation Co., Ltd. (hereinafter referred to as "Yimin Zhongding"). On 15 September 2014, CBMI Construction filed a lawsuit in the Intermediate People's Court of Hunlun Buir against the two defendants for their rejection to settle and pay the project fund and asked Shengwei Technology and Yimin Zhongding to pay RMB102,414,900.00 to it. On 17 October 2014, the court prepared the Notice of Acceptance (2014 HMCZ No. 160) and formally accepted this case. After acceptance of the case, Shengwei Technology raised a jurisdiction objection. After the first and second rules on jurisdiction objection, it was finally determined that the Intermediate People's Court of Hunlun Buir would hear this case. In July 2015, Shengwei Technology filed a counterclaim in which CBMI Construction was required to pay RMB828,000.00 of liquidated damages and RMB50,000,000 of indemnity to it. The court has decided an amalgamated hearing of this case and the counterclaim. In September 2015, Shengwei Technology applied for three juridical identifications for construction costs, building projects quality and product quality in terms of this case. Due to complexity of this case, until the date of approval of the financial statements, this case is under the juridical identification procedure.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XII. CONTINGENCIES (Continued)

(III) Guarantees

As at 31 December 2016, the balance of guarantees still valid at the end of the Reporting Period of the Group was approximately RMB9,060 million.

(IV) Other contingencies

Sinoma International, a second-level company of the Group, has acquired 100% equity of Anhui Jieyuan and signed the Performance Compensation Agreement with former shareholders (including Xu Xidong, Zhang Ximing, Jiang Guirong, Xuan Hong and Zhang Ping) of Anhui Jieyuan, Anhui Haihe New Energy Investment Co., Ltd., Anhui Henghai Investment Center LP (hereinafter referred to as compensation obligors). The compensation obligors promised that the accumulated net profit of Anhui Jieyuan attributable to its parent company in 2015, 2016 and 2017 shall not be less than RMB300,000,000.00 (commitment value). In the three-year-long Commitment Period of 2015, 2016 and 2017, where Sinoma International makes capital investment with its own capital, the net profit shall be an amount that the net profit of Anhui Jieyuan attributable to the parent company subtracts the cost of invested capital. Where the actual net profit of Anhui Jieyuan is less than the commitment value, the compensation obligors shall make compensation to Sinoma International as agreed in the Performance Compensation Agreement.

XIII. COMMITMENTS

Significant commitments

By 31 December 2016, the Group had RMB 840,168,700.00 of agreed significant contracts that have been signed but unpaid. See the contents below for details:

Project	Contract amount	Paid amount	Unpaid amount	(Unit: RMB)
				Expected investment period
Wuhai Xishui – Energy Conservation Technical Improvement Project of Cement Milling System	80,000,000.00	1,387,600.00	78,612,400.00	2017
2x500,000 m ³ /a Commercial Concrete Mixing Plant Phase I of Qingtongxia Concrete	42,002,000.00	11,481,300.00	30,520,700.00	2017
Taiyangshan 1,200,000 t/a Aggregate Production Line Project of Qingtongxia Cement	46,840,000.00	26,333,700.00	20,506,300.00	2017
Mining right of Qingtongxia Cement to Kazimiao Limestone Mine	23,472,700.00	8,232,700.00	15,240,000.00	2017-2019
F04 Project	964,335,000.00	810,628,500.00	153,706,500.00	2016.03-2017.03
F05 Project	82,610,000.00	62,860,000.00	19,750,000.00	2016.11-2017.12
200,000,000 m ² /a Lithium Membrane Production Line Project	378,742,800.00	30,229,000.00	348,513,800.00	2016.03-2018.12
80,000 t/a Alkali-free Glass Fiber Production Line Technical Improvement Project	219,300,200.00	45,981,200.00	173,319,000.00	2016.06-2020.07
Total	1,837,302,700.00	997,134,000.00	840,168,700.00	-

There is no other significant commitment for the Group to disclose as of 31 December 2016, except for the commitments above.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XIV. EVENTS AFTER BALANCE SHEET DATE**1. Profit distribution**

Item	Content
Profit or dividend proposed to be distributed (tax inclusive)	RMB 0.03/share, total RMB107,143,920.00
Profit or dividend declared after consideration and approval	To be considered and approved

2. Debt financing instruments issued

From 11 February 2017 to 12 February 2017, the Company issued first term of super short-term financing bills in 2017 of RMB1.5 billion. The maturity is 90 days and the nominal interest rate is 3.92%.

From 16 January 2017 to 17 January 2017, the Company issued first term of corporate bonds in 2017 of RMB1.5 billion. The maturity is 5 years and the nominal interest rate is 3.95%.

3. Equity disposal of Sinoma-Liyang Heavy Machinery Co., Ltd.

Sinoma-Liyang Heavy Machinery Co., Ltd., a fourth-level company of the Group, was listed as low-productive and unproductive assets of the Group in 2015. In May 2016, the Group officially approved the Equity Transfer Plan, transferring 70% of equity interest of Sinoma-Liyang Heavy Machinery Co., Ltd. and agreed to list it in China Beijing Equity Exchange for sale at a price subject to evaluated price taking 31 January 2016 as the reference date. The final transaction price was based on the actual transfer price. After it is listed in China Beijing Equity Exchange, according to the result of public listing, the final transaction price was RMB76,085,200.00. In February 2017, the transferee had paid a deposit amount of 30%. Until the date of approval of the financial statements, we are signing equity transfer agreement with the transferee.

4. There are no other significant events after balance sheet date for the Group to disclose, except for the contents disclosed above.**XV. OTHER SIGNIFICANT MATTERS****1. Correction and effect of prior period errors**

None.

2. Bankruptcy issue of Sinoma Yangzhou

Due to serious accumulated deficit and insolvency, Sinoma Yangzhou, a fourth-level company of the Group, stopped business at the end of 2014 and filed for bankruptcy in the court at the beginning of 2015. The court accepted the bankruptcy application and designated the bankruptcy administrator. The People's Court of Jiangdu District, Yangzhou City, Jiangsu Province, officially declared the bankruptcy of Sinoma Yangzhou in October 2016.

3. Share issuance and asset purchase matters

In 2015, China Securities Regulatory Commission checked and approved Sinoma International's (second-level company of the Group) matters about non-public issuance of new shares of not less than 64,516,129 shares for raising funds for purchasing assets in this issuance. Due to capital market changes, since obtaining the approval document, the company's share price has been lower than the issue price of the raised funds. Therefore, the company did not finish issuing shares and raising fund within valid period of the approval document. It automatically became invalid when the Reporting Period expired.

4. Influence of political unrest of Middle East on project implementation

As at 31 December 2016, CBMI Construction (a third-level company) has implemented an EPC project in Syria. The EPC contract of the project was signed on 8 August 2008, with a total contract price of EUR47,310,000.00 and USD239,390,000.00, the accumulated proceed received is USD 30,270,000.00. The PAC certificate signed by the owner was obtained in June 2011. Costs of the project incurred to CBMI Construction have been settled. Under influence of the local situation, all of the Chinese employees have left Syria and later services have been suspended. The local security department is responsible for security of the project. Later progress of the project will be determined upon situation of Syria.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XV. OTHER SIGNIFICANT MATTERS (Continued)

5. Tax issue of Sinoma Cement

In December 2016, Sinoma (Hanjiang) Cement Co., Ltd. (hereinafter referred to as “Sinoma Hanjiang”), a third-level company of the Group received the HTGST [2016] No. 07 notice on tax matters from Hanzhong Municipal Office, SAT. It cancelled Sinoma Hanjiang’s qualification since November 2013 to benefit from VAT rebate of resource comprehensive utilization product and labor and tax-free policy. And the VAT of RMB57,747,109.53 rebated from November 2013 to August 2016 has been returned. In December 2016, Sinoma Hanjiang submitted a request for administrative reconsideration to the Hanzhong Municipal Office, SAT, requesting the withdrawal of the Notice on Tax Matters of Han (2016) No. 07, and provided tax guarantee by mortgaging machinery and equipment. Until the date of approval on the financial statements, Sinoma Hanjiang has not yet received the conclusion or notification of the administrative reconsideration. The provision of RMB57,747,109.53 for this matter is recognized in 2016. See VI.41 in the notes for the details.

6. Recognition of the representative office in Indonesia

In June 2016, Indonesia Jakarta Tax Authority issued a notice on identifying the representative office of Tianjin Cement Design & Research Institute Co., Ltd. (a third-level company of the Group) in Indonesia (hereinafter referred to as “representative office in Indonesia”) as a permanent establishment. According to the Indonesia tax law, a permanent establishment shall pay withholding tax in terms of the goods it exports to Indonesia, which shall account for 4% of the export revenue. The Tianjin Design & Research Institute Co., Ltd. has signed USD170 million EP contract with local PT.SEMEN BATURAJA. If it is considered as a permanent establishment, 4% of the contract amount is involved in withholding tax. According to the bilateral tax agreement between Indonesia and China, the Group reasonably believes that the representative office in Indonesia does not meet the conditions for a permanent establishment in Indonesia. Until the date of approval of the financial statements, the representative office in Indonesia has been undergoing the investigation by local Indonesia tax authority and the Group has not received any notice to pay tax.

7. The Reorganization of the Parent and CNBM Group

On 8 March 2017, the Company was notified by China National Building Materials Group Corporation (hereinafter referred to as “CNBM Group”) that the registration regarding the transfer of Sinoma Group into CNBM Group at nil consideration with the relevant industry and commerce authorities has been completed. Sinoma Group has become the wholly-owned subsidiary of CNBM Group and the Company has become a subsidiary of CNBM Group, with the ultimate holding party thereof remaining to be the State-owned Assets Supervision and Administration Commission of the State Council. For details, please refer to the announcements of the Company published on 25 January 2016, 27 July 2016, 22 August 2016, 27 February 2017 and 8 March 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

8. The relocation compensation for Tianshan Cement Cangfanggou Premise

According to the Notice on Implementation Scheme of Removal of Polluting Enterprises (Including Chemical Enterprises) from Central Urban Area of Urumqi Municipality (WZB [2011] No. 104) issued by the General Office of the People’s Government of Urumqi Municipality, Cangfanggou Premise (production areas of No. 1 and No. 2 Factories) of Tianshan Manufacturing, a subsidiary of Tianshan Cement (a second-level company of the Group) in No. 242, Shuinichang Street, Cangfanggou Road, Urumqi would be relocated in whole. Pursuant to documents such as the Notice on Implementation Rules of Removal of Polluting Enterprises from Central Urban Area of Urumqi Municipality (WZB [2012] No. 233), Tianshan Cement signed the Relocation Compensation Agreement of Cangfanggou Premise with Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. which has obtained the development right of the land through government bid, auction and listing. Total amount of compensation of the relocation is RMB1,132,040,600.00, including RMB278,767,600.00 of land compensation, RMB609,539,700.00 of compensation of above-ground buildings and equipment and RMB243,733,300.00 of compensation for personnel resettlement.

The relocation and development principles, i.e. “compliance with planning, overall removal, step-by-step demolition and delivery, and phased compensation”, determined in the document of the government of the autonomous region (XZH [2013] No. 214) shall be followed. Supplementary development of municipal roads and traffic infrastructure of Cangfanggou Premise shall be provided. Tianshan Cement performed relocation and delivered the assets step by step. Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. followed the relocation principles above and gradually received assets in the relocation range. In accordance with the relocation plan and principles above, the assets in the relocation range should be delivered in six years (i.e. 2014-2019). In 2016, Tianshan Cement received the compensation of RMB111,826,700.00 for phase-III relocation assets and the compensation of RMB26,130,000.00 for personnel settlement, totalling RMB553,806,911.28 received for the first three phases.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XV. OTHER SIGNIFICANT MATTERS (Continued)**9. Segment information****(1) Determination basis and accounting policy of reportable segments**

Operating segments of the Group are determined based on the internal organizational structure, management requirements and internal reporting system. An operating segment of the Group refers to the component satisfying the following conditions:

- 1) The component can generate incomes and incur expenses in daily activities;
- 2) The management can regularly evaluate the operating results of the component to determine its resource allocation and evaluate its performance;
- 3) Accounting information about the component such as financial situation, operating results and cash flow can be obtained.

At present, the Group has three operating segments: cement technical equipment and engineering services, cement, and high-tech materials. Since each segment has different operating characteristics, the Group determines the reportable segments based on the operating segments. The reportable segments are also the said three segments.

Accounting policies for each operating segment of the Group is the same as those described in "Significant accounting policies and accounting estimates".

(2) Financial information about reportable segments in current year

Pre-tax profits, assets and liabilities divided based on products or business segments

Item	Cement technical equipment and engineering services	Cement	High-tech materials	Others	Offset	Total
	(million)	(million)	(million)	(million)	(million)	(million)
Operating revenue	21,053.41	19,734.08	10,413.22	70.91	694.75	50,576.87
Including: external transaction revenue	20,483.29	19,699.97	10,379.22	14.39	-	50,576.87
Intra-segment transaction revenue	570.12	34.11	34.00	56.52	694.75	-
Operating costs	18,354.19	14,867.74	7,766.32	-	680.30	40,307.95
Expenses for the period	1,687.83	3,946.44	1,937.31	369.68	56.53	7,884.73
Total profits	794.38	657.82	496.98	792.90	1,032.63	1,709.45
Total assets	29,668.67	47,222.20	23,696.04	19,846.16	18,010.30	102,422.77
Total liabilities	21,353.49	26,520.17	14,507.86	7,034.22	2,634.70	66,781.04
Supplementary information						
Depreciation and amortization expenses	492.85	2,612.06	963.09	1.33	70.16	3,999.17
Capital expenditures	617.94	1,794.39	3,078.56	146.43	175.31	5,462.01
Non-cash expenses excluding depreciation and amortization	-	-	-	-	-	-

10. Accounting standard conversion

Whereas the Group has prepared its financial reports before 2015 (inclusive) in accordance with Accounting Standards for Business Enterprises of the PRC and the Hong Kong Financial Reporting Standards, and whereas equivalence between domestic and foreign standards has been realized, as approved by the Board of Directors of the Group, the Group will prepare consolidated and parent company's financial statements in accordance with Accounting Standards for Business Enterprises of the PRC since January 1, 2016. Before the issuance of the Accounting Standards for Business Enterprises of the PRC by the Ministry of Finance on 15 February 2006, there was certain difference between domestic and foreign standards. Over a period of time, such difference had influence on the financial situation and operating results of the Group and the influence would be reduced gradually until write-off. The influence of such difference on net assets of the Group has been as follows:

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XV. OTHER SIGNIFICANT MATTERS (Continued)

10. Accounting standard conversion (Continued)

On 31 December 2015, the adjustment of the difference of net assets arising from conversion of financial statements prepared as per the Accounting Standards for Business Enterprises of the PRC into those as per Hong Kong Financial Reporting Standards:

Unit: RMB million

	Net assets
As per Accounting Standards for Business Enterprises of the PRC	33,357.16
1. Government subsidies (Note 1)	(15.67)
2. Debt restructuring (Note 2)	22.88
3. Acquisition assessment appreciation (Note 3)	328.81
4. Goodwill of Qilianshan Holdings (Note 4)	(11.44)
5. Others	(39.46)
	<hr/>
Subtotal	285.12
	<hr/>
As per Hong Kong Financial Reporting Standards	33,642.28

Note 1: Reason for difference of government subsidy: According to Hong Kong Financial Reporting Standards, government subsidies used for acquisition of land or other fixed assets and construction of production line or land given by the government for free shall be recognized as deferred income and shall be amortized as per service life of relevant land or equipment. In reports prepared as per the Accounting Standards for Business Enterprises of the PRC, relevant government subsidies shall be included in capital reserves pursuant to the prevail accounting standards at that time.

Note 2: Reason for difference of debt restructuring: In reports prepared as per Hong Kong Financial Reporting Standards, recognition conditions of debt restructuring gains are deemed to be satisfied when the debt restructuring contract comes into effect and debt restructuring gains shall be recognized. While in those prepared as per the Accounting Standards for Business Enterprises of the PRC, the conditions are deemed not to be satisfied and the gains are not recognized immediately. The difference of debt restructuring gains and annual interest expenditures and deferred tax adjustment is thus formed.

Note 3: Reason for difference of acquisition assessment appreciation: If the Group acquire an enterprise from a third party, the assessed value shall be used for accounting treatment in reports prepared as per Hong Kong Financial Reporting Standards; while in those prepared as per the Accounting Standards for Business Enterprises of the PRC, the equity investment balance (appreciated portion) shall be used to write down capital reserves pursuant to the prevail accounting standards at that time.

Note 4: Reason for difference of goodwill of Qilianshan Holdings: In reports prepared as per Hong Kong Financial Reporting Standards, some enterprises of Qilianshan Holdings were subject to adjustment yearly based on assessment of actuary as per Hong Kong Accounting Standard 19. As a result, a difference of the net asset value of Qilianshan Holdings appeared under Hong Kong Financial Reporting Standards and the Accounting Standards for Business Enterprises of the PRC. In 2010, the said difference was reflected in goodwill upon acquisition of Qilianshan Holdings and subsequently in the impairment provision.

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS**1. Other receivables****(1) Classification**

Category	As at 31/12/2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables that were individually significant provided for bad debts on individual basis	1,073,937,371.51	99.81	-	-	1,073,937,371.51
Account age portfolio	-	-	-	-	-
Receivables that were individual insignificant provided for bad debts on individual basis	2,092,216.62	0.19	-	-	2,092,216.62
Total	1,076,029,588.13	100.00	-	-	1,076,029,588.13

Continued:

Category	As at 31/12/2015				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables that were individually significant provided for bad debts on individual basis	1,756,910,000.00	99.96	-	-	1,756,910,000.00
Account age portfolio	-	-	-	-	-
Receivables that were individual insignificant provided for bad debts on individual basis	659,147.05	0.04	-	-	659,147.05
Total	1,757,569,147.05	100.00	-	-	1,757,569,147.05

- 1) Other receivables that were individually significant provided for bad debts on individual basis at the end of the year

Name	As at 31/12/2016			Reason for provision
	Other receivables	Bad debt provision	Provision proportion (%)	
Xinjiang Tianshan Cement Co., Ltd.	204,677,371.51	-	-	No provision for related party
Aksu Tianshan Duolang Cement Co., Ltd.	200,000,000.00	-	-	No provision for related party
Jiangsu Tianshan Cement Group Co., Ltd.	200,000,000.00	-	-	No provision for related party
Sinoma Cement Co., Ltd.	200,000,000.00	-	-	No provision for related party
Sinoma Science & Technology Co., Ltd.	140,000,000.00	-	-	No provision for related party
Sinoma International Engineering Co., Ltd.	48,000,000.00	-	-	No provision for related party
Sinoma Mining Construction Co., Ltd.	41,260,000.00	-	-	No provision for related party
Sinoma Jinjing Fiber Glass Co., Ltd.	40,000,000.00	-	-	No provision for related party
Total	1,073,937,371.51	-	-	-

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Other receivables (Continued)

(2) Classification of other receivables by nature

Nature	Book balance as at 31/12/2016	Book balance as at 31/12/2015
Loan	285,937,371.51	1,056,910,000.00
Entrusted loan	788,000,000.00	700,000,000.00
Others	2,092,216.62	659,147.05
Total	1,076,029,588.13	1,757,569,147.05

(3) Top five of other receivables

Name	Nature	As at 31/12/2016	Account age	Proportion of total other receivables as at 31/12/2016 (%)	Bad debt provision as at 31/12/2016
Xinjiang Tianshan Cement Co., Ltd.	Entrusted loan/loan	204,677,371.51	Within 1 year	19.02	-
Aksu Tianshan Duolang Cement Co., Ltd.	Entrusted loan	200,000,000.00	Within 1 year	18.59	-
Jiangsu Tianshan Cement Group Co., Ltd.	Entrusted loan	200,000,000.00	Within 1 year	18.59	-
Sinoma Cement Co., Ltd.	Loan	200,000,000.00	Within 1 year	18.59	-
Sinoma Science & Technology Co., Ltd.	Entrusted loan	140,000,000.00	Within 1 year	13.09	-
Total	-	944,677,371.51	-	87.80	-

2. Long-term equity investments

(1) Classification

Item	As at 31/12/2016			As at 31/12/2015		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	14,392,129,030.01	32,298,785.12	14,359,830,244.89	14,032,111,490.19	32,298,785.12	13,999,812,705.07
Investment in joint ventures and associates	1,164,151,345.69	70,614,652.48	1,093,536,693.21	1,138,919,089.33	70,614,652.48	1,068,304,436.85
Total	15,556,280,375.70	102,913,437.60	15,453,366,938.10	15,171,030,579.52	102,913,437.60	15,068,117,141.92

(2) Investment in subsidiaries

Investee entities	As at 31/12/2015	Increase in current year	Decrease in current year	As at 31/12/2016	Provision for impairment in current year	Impairment provision as at 31/12/2016
Taishan Fiberglass Inc.	3,073,860,860.18	-	3,073,860,860.18	-	-	-
Ningxia Building Materials Group Co., Ltd.	2,300,344,082.72	7,100,000.00	-	2,307,444,082.72	-	-
Sinoma Cement Co., Ltd.	1,838,436,100.00	-	-	1,838,436,100.00	-	-
Sinoma International Engineering Co., Ltd.	1,492,464,004.85	7,250,000.00	-	1,499,714,004.85	-	-
Sinoma Advanced Materials Co., Ltd.	886,493,467.54	4,500,000.00	-	890,993,467.54	-	-
Sinoma Science & Technology Co., Ltd.	1,638,255,608.12	3,950,158,400.00	-	5,588,414,008.12	-	-
Xinjiang Tianshan Cement Co., Ltd.	2,002,008,457.52	-	535,130,000.00	1,466,878,457.52	-	-
Sinoma Mining Construction Co., Ltd.	219,735,187.00	-	-	219,735,187.00	-	-
Sinoma Jinjing Co., Ltd.	125,617,998.26	-	-	125,617,998.26	-	-
Xiamen ISO Standard Sand Co., Ltd.	122,126,181.00	-	-	122,126,181.00	-	-
Gansu Qilianshan Building Materials Holdings Co., Ltd.	332,769,543.00	-	-	332,769,543.00	-	32,298,785.12
Total	14,032,111,490.19	3,969,008,400.00	3,608,990,860.18	14,392,129,030.01	-	32,298,785.12

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

XVI. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)**2. Long-term equity investments (Continued)****(3) Investment in joint ventures and associates**

Investee entities	As at 31/12/2015	Additional investment	Investment decrease	Investment gain/loss under equity method	Changes in current year Adjustment			Cash dividends or profits declared to pay	Charge of impairment provision	Others	As at 31/12/2016	Impairment provision as at 31/12/2016
					of other comprehensive incomes	Other equity changes						
I. Associate												
Gansu Qilianshan Cement Group Co., Ltd.	920,055,328.57	-	-	19,689,518.30	-	-	-7,194,097.54	-	-	-	932,550,749.33	70,614,652.48
Beijing Composite Materials Co., Ltd.	46,829,534.79	-	-	5,963,798.43	-	-	-3,457,982.05	-	-	-	49,335,351.17	-
Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-
Sinoma Group Finance Co., Ltd.	172,034,225.97	-	-	11,791,019.22	-	-	-1,560,000.00	-	-	-	182,265,245.19	-
Total	1,138,919,089.33	-	-	37,444,335.95	-	-	-12,212,079.59	-	-	-	1,164,151,345.69	70,614,652.48

3. Operating revenue and costs

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Other operations	70,912,900.10	-	98,304,390.75	5,505,045.87
Total	70,912,900.10	-	98,304,390.75	5,505,045.87

4. Investment incomes

Item	2016	2015
Long-term equity investment income under the equity method	37,444,335.95	35,953,292.84
Investment income from disposal of long-term equity investment	776,597,539.82	-
Investment income from financial assets measured at fair value and with the variance included into current profits and losses during holding period of the financial assets	-	-
Investment income from disposal of financial assets measured at fair value with the variance included into current profits and losses	-	-
Investment income from held-to-maturity investments during the holding period	-	-
Investment income from available-for-sale financial assets during the holding period	6,899,100.02	11,498,500.00
Investment income from disposal of available-for-sale financial assets	-	113,112,457.01
Gains from re-measuring residual equity at fair value after losing the right of control	-	-
Long-term equity investment income under the cost method	275,142,897.61	279,682,179.20
Total	1,096,083,873.40	440,246,429.05

XVII. APPROVAL OF FINANCIAL REPORT

This financial report was approved for release by the Board of Directors of the Company on 31 March 2017.

Notes to the Financial Statements

From 1 January 2016 to 31 December 2016 (Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS

1. Breakdown of non-recurring profits and losses in current year

- (1) In accordance with the Explanatory Announcement of China Securities Regulatory Commission on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit and Loss (2008), non-recurring profit and loss of the Group for 2016 is stated as following:

Item	2016
Profits and losses from disposal of non-current assets	108,819,861.53
Tax return, reduction and exemption under occasional condition, approval beyond the authority or without official document	–
Government grants included in current profits and losses	268,579,982.02
Capital occupation fee charged from non-financial enterprises and included in current profits and losses	–
Profit gained when the cost of investment in subsidiary, associate, joint venture is less than the fair value of the identifiable net assets when regarded as investee	–
Loss/profit from non-monetary assets exchange	–
Profits and losses from assets commissioned others to invest or manage	–
Provisions for impairment of assets drawn due to Force Majeure (e.g. natural disasters)	–
Loss/profit from debt restructuring	760,955.60
Enterprise reconstruction expense	-5,716,238.58
Loss or profit out of the fair value from transactions with unfair price	–
Net profit and loss of the current period from the beginning of the subsidiary from business merger under the same control to the merger date	–
Gains or losses from contingencies unrelated to normal operations	–
In addition to the effective hedging related to normal operations, losses and profits from changes in fair value for holding of trading financial assets or trading financial liabilities, and gains from disposal of trading financial assets, trading financial liabilities, or available-for-sale financial assets	93,230,400.12
Reversal for impairment provision of receivables subject to separate impairment test	144,272,493.58
Gains or losses from external entrusted loans	–
Profits or losses from changes in fair value of investment property subsequently measured at fair value	–
Influence on the current gains or losses for once adjustment of the current gains or losses as required by the relevant taxation or accounting laws and regulations	–
Custodian fees gained in entrusted operation	–
Other non-operating incomes or expenditures except the above items	-37,719,812.23
Other losses and profits conforming to the definition of non-recurring profit and loss	–
Subtotal	572,227,642.04
Effect of income tax	38,679,277.59
Impact on minority interest income (after-tax)	311,746,718.14
Total	221,801,646.31

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated) From 1 January 2016 to 31 December 2016

SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS (Continued)**2. Return on net assets and earnings per share**

Based on the provisions in Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) issued by China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share, and diluted earnings per share for the Group for 2016 are listed below:

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	3.73	0.16	0.16
Net profit attributable to shareholders of parent company after deducting non-recurring profit and loss	2.32	0.10	0.10

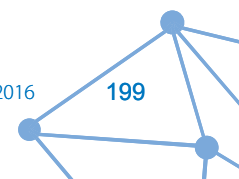
China National Materials Company Limited

31 March 2017

DEFINITIONS

“Articles of Association” or “Articles”	the articles of association of the Company as amended from time to time
“Audit Committee”	the audit committee of the Board
“BBMG”	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
“BBMG Corporation”	BBMG Corporation (北京金隅股份有限公司)
“Board”	the board of Directors of the Company
“CBMI Construction”	CBMI Construction Co., Ltd. (中材建設有限公司), a wholly-owned subsidiary of Sinoma International
“Cinda”	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), one of the promoters of the Company
“CNBM Group”	China National Building Material Group Co., Ltd. (中國建材集團有限公司), formerly known as China National Building Materials Group Corporation (中國建築材料集團有限公司), a state-owned limited liability company incorporated under the laws of the PRC
“Company”, “our Company”, “we” or “us”	China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated on 31 July 2007 under the laws of the PRC
“CSRC”	China Securities Regulatory Commission
“CTG”	Taishan Fiberglass Inc. (泰山玻璃纖維有限公司), a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares of RMB1.00 each in the share capital of the Company, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of RMB1.00 each in the ordinary share capital of the Company, which are subscribed for and traded in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Kunlunshan Mining”	Qinghai Kunlunshan Mining Development Co., Ltd. (青海崑崙山礦業發展有限公司), a subsidiary of the Parent
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOF”	Ministry of Finance of the PRC
“Ningxia Building Materials”	Ningxia Building Materials Group Co., Limited (寧夏建材集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600449), a subsidiary of the Company
“Nomination Committee”	the nomination committee of the Board
“NRDI”	Nanjing Fiberglass R&D Institute Co., Ltd. (南京玻璃纖維研究設計院有限公司), a wholly-owned subsidiary of Sinoma Science & Technology
“Parent” or “Sinoma Group”	China National Materials Group Corporation Ltd. (中國中材集團有限公司), the controlling shareholder and one of the promoters of the Company

“Parent Group”	collectively, Parent and its subsidiaries (excluding the Group)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this annual report only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qicai Mining”	Qinghai Qicai Mining Co., Ltd. (青海祁材礦業有限公司), a subsidiary of the Company
“Qilianshan Co.”	Gansu Qilianshan Cement Group Company Limited (甘肅祁連山水泥集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600720), a subsidiary of the Company
“Qilianshan Holdings”	Gansu Qilianshan Building Materials Holdings Company Limited (甘肅祁連山建材控股有限公司), a subsidiary of the Company
“Qinghai Qilianshan”	Qinghai Qilianshan Cement Co., Ltd. (青海祁連山水泥有限公司), a subsidiary of the Company
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended 31 December 2016
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Sinoma (Hong Kong)”	China National Materials (Hong Kong) Co., Limited (中國中材股份(香港)有限公司), a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong
“Sinoma Advanced Materials”	Sinoma Advanced Materials Co., Ltd. (中材高新材料股份有限公司), a subsidiary of the Company
“Sinoma Blade”	Sinoma Wind Power Blade Co., Ltd. (中材科技風電葉片股份有限公司), a subsidiary of Sinoma Science & Technology
“Sinoma Cement”	Sinoma Cement Co., Ltd. (中材水泥有限責任公司), a wholly-owned subsidiary of the Company
“Sinoma E&E”	Sinoma Equipment & Engineering Corp., Ltd. (中國中材東方國際貿易有限公司), a wholly-owned subsidiary of Sinoma International
“Sinoma Finance”	Sinoma Group Finance Co., Ltd. (中材集團財務有限公司), a limited liability company incorporated under the laws of the PRC
“Sinoma Hanjiang”	Sinoma Hanjiang Cement Co., Ltd. (中材漢江水泥股份有限公司), a subsidiary of Sinoma Cement
“Sinoma International”	Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600970), a subsidiary of the Company
“Sinoma Jinjing”	Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司), a subsidiary of the Company
“Sinoma Mining”	Sinoma Mining Construction Co., Ltd. (中材礦山建設有限公司), a wholly-owned subsidiary of the Company
“Sinoma Science & Technology”	Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002080), a subsidiary of the Company
“Strategy Committee”	the strategy committee of the Board
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules



DEFINITIONS

“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Taishan Investment”	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company
“Tianshan Cement”	Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), a subsidiary of the Company
“Tianshan Group”	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材(集團)有限責任公司), a subsidiary of the Parent and one of the promoters of the Company
“Well Kent”	Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company
“Xiamen Standard Sand”	Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司), a subsidiary of the Company
“Yingke Hezhong”	Tengzhou Yingke Hezhong Investment Management Centre (Limited Partnership) (滕州盈科合眾投資管理中心(有限合夥))
“Zibo Hi-Tech”	Zibo New & Hi-Tech Venture Capital Co., Ltd. (淄博高新技術風險投資股份有限公司), one of the promoters of the Company



sinoma

China National Materials
Company Limited