CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2017

Annual Report 年度報告

* For identification only

Financial and Business Highlights

	As at 31 December 2017	2016	Growth rate
		(RMB in millions)	
Bank balances and cash	**9,355**	10,252	-8.7%
Total assets	**347,194**	340,787	1.9%
Equity attributable to equity holders of the Company	**45,241**	41,833	8.1%
Earnings per share-basic *(RMB)*	**0.597**	0.194	207.7%

	For the year ended 31 December 2017	2016	Growth rate
		(RMB in millions)	
Revenue	**127,626**	101,547	25.7%
Profit after taxation	**6,340**	2,810	125.7%
Profit attributable to equity holders of the Company	**3,225**	1,048	207.7%
Net cash flows from operating activities	**22,270**	15,389	44.7%
Sales volume of cement and clinker			
(in thousand tonnes)	**289,298**	291,224	-0.7%
– China United	**67,012**	67,005	0.01%
– South Cement	**113,064**	112,476	0.5%
– North Cement	**18,332**	22,371	-18.1%
– Southwest Cement	**88,686**	87,303	1.6%
Commercial concrete sales volume *(in thousand m^3)*	**83,953**	74,444	12.8%
– China United	**36,501**	33,005	10.6%
– South Cement	**41,511**	36,468	13.8%
– North Cement	**2,889**	2,443	18.3%
– Southwest Cement	**1,333**	1,247	6.9%
Gypsum board *(in million m^2)*	**1,821**	1,635	11.4%
Rotor blade *(in blade)*	**3,276**	4,126	-20.6%
Glass fibre yarn *(in thousand tonnes)*	**1,450**	1,117	29.8%
Revenue from engineering service *(RMB in millions)*	**9,722**	8,097	20.1%
Selling price			
Cement sold by China United *(RMB per tonne)*	**274.5**	211.0	30.1%
Clinker sold by China United *(RMB per tonne)*	**249.4**	175.5	42.1%
Commercial concrete sold by China United *(RMB per m^3)*	**343.7**	272.1	26.3%
Cement sold by South Cement *(RMB per tonne)*	**249.3**	200.8	24.2%
Clinker sold by South Cement *(RMB per tonne)*	**248.0**	170.1	45.8%
Commercial concrete sold by South Cement *(RMB per m^3)*	**345.4**	293.6	17.6%
Cement sold by North Cement *(RMB per tonne)*	**314.6**	257.7	22.1%
Clinker sold by North Cement *(RMB per tonne)*	**253.9**	198.9	27.7%
Commercial concrete sold by North Cement *(RMB per m^3)*	**334.0**	294.5	13.4%
Cement sold by Southwest Cement *(RMB per tonne)*	**247.5**	213.8	15.8%
Clinker sold by Southwest Cement *(RMB per tonne)*	**227.2**	204.5	11.1%
Commercial concrete sold by Southwest Cement *(RMB per m^3)*	**295.0**	259.0	13.9%
Gypsum board			
– BNBM *(RMB per m^2)*	**6.57**	5.92	11.0%
– Taishan Gypsum *(RMB per m^2)*	**4.92**	3.88	26.8%
Rotor blade *(RMB per blade)*	**464,300**	453,500	2.4%

Contents

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

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

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

On 8 September 2017, the Company and Sinoma entered into a merger agreement, pursuant to which Sinoma will be merged into and absorbed by the Company in accordance with the PRC Company Law and other applicable PRC laws. This Annual Report is also sent to Sinoma shareholders who are registered on the register of shareholders on the record date for such share exchange (expected to be 23 April 2018), whose shares in Sinoma will be exchanged into shares in the Company at the agreed exchange ratio, for information only.

Corporate Profile

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million H shares, 300 million H shares and 240 million H shares were placed on 9 August 2007, 5 February 2009 and 14 September 2010, respectively. The Company issued bonus shares on 13 June 2011 on the basis of ten bonus shares to be issued for every ten shares held by the Shareholders. As of 31 December 2017, the Company has a total issued share capital of 5,399,026,262 Shares.

The Group is mainly engaged in cement, light weight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity in 2017), the Group is:

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

On 8 September 2017, the Company entered into a merger agreement with Sinoma, pursuant to which Sinoma will be absorbed by and merged into the Company in accordance with the PRC Company Law and other applicable PRC laws. As at the date of this report, all conditions to the Merger Agreement becoming effective and all conditions to the implementation of Merger Agreement have been fulfilled. Upon the share exchange, the Company will assume all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of Sinoma. The subsidiaries of Sinoma will also become subsidiaries of the Company.

Corporate Information

DIRECTORS:

Executive Directors

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

Non-executive Directors

Guo Chaomin
Chen Yongxin
Tao Zheng

Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Qian Fengsheng
Xia Xue

STRATEGIC STEERING COMMITTEE:

Song Zhiping *(Chairman)*
Cao Jianglin
Zhou Fangsheng

NOMINATION COMMITTEE:

Sun Yanjun *(Chairman)*
Liu Jianwen
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE:

Zhou Fangsheng *(Chairman)*
Sun Yanjun
Song Zhiping

AUDIT COMMITTEE:

Qian Fengsheng *(Chairman)*
Liu Jianwen
Xia Xue

SUPERVISORS:

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

Secretary of the Board	:	Chang Zhangli
Joint Company Secretaries	:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives	:	Song Zhiping Chang Zhangli
Alternate Authorized Representative	:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Certified Public Accountant	:	Pei Hongyan (FCCA)
Registered Address	:	Tower 2 (Building B), Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Principal Place of Business	:	21st Floor Tower 2, Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Postal Code	:	100036
Place of Representative Office in Hong Kong	:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong

Corporate Information *(Continued)*

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

Definitions

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

"Aksu Tianshan"	阿克蘇天山多浪水泥有限責任公司 (Aksu Tianshan Duolang Cement Co., Ltd.)
"Anhui Jieyuan"	安徽節源環保科技有限公司 (Anhui Jieyuan Environmental Protection Technology Co., Ltd.)
"Baishan Cement"	金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Baker Tilly China"	天職國際會計師事務所(特殊普通合夥) (Baker Tilly China Certified Public Accountants (Special General Partnership))
"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"Beijing Composite"	北京玻鋼院複合材料有限公司 (Beijing Composite Materials Co., Ltd.)
"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBM Green Residence"	北新綠色住宅有限公司 (Beijing New Building Material Green Residence Company Limited)
"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)
"BNBM Taicang"	太倉北新建材有限公司 (BNBM Taicang Company Limited)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院有限公司 (China Building Materials Academy)
"CBMI Construction"	中材建設有限公司 (CBMI Construction Co., Ltd.)

"CCDRI"	成都建築材料工業設計研究院有限公司 (Chengdu Design & Research Institute of Building Materials Industry Co., Ltd.)
"Chengtong Financial"	北京誠通金控投資有限公司 (Beijing Chengtong Financial Investment Co., Ltd.)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Company Limited*)
"China Jushi"	中國巨石股份有限公司 (China Jushi Co., Ltd.)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBM Trading"	中建材集團進出口有限公司 (China National Building Materials & Equipment Import & Export Corporation)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd.)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Company Law"	the Company Law of the PRC
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CTG"	泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"EFQM"	European Foundation for Quality Management

"Eight Working Methods"	"Five C", KPI management, counselor system, benchmark management and optimisation, "PCP", core profit-generating regions, market competition and cooperation and zero inventory
"Environmental Protection Research Institute"	江蘇中建材環保研究院有限公司 (Jiangsu CNBM Environmental Protection Research Institute Company Limited)
"EPC"	turn-key project services that include design, procurement and construction
"Equipment Group"	中材裝備集團有限公司 (Sinoma Technology & Equipment Group Co., Ltd.)
"Fukang Tianshan"	新疆阜康天山水泥有限公司 (Xinjiang Fukang Tianshan Cement Co., Ltd.)
"GDP"	gross domestic product
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guang An BNBM"	廣安北新建材有限公司 (Guang An BNBM Building Material Company Limited)
"Guangxi South Cement"	廣西南方水泥有限公司 (Guangxi South Cement Company Limited)
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"Guoxin Investment"	國新投資有限公司 (Guoxin Investment Co., Ltd.)
"Hami Tianshan"	哈密天山水泥有限責任公司 (Hami Tianshan Cement Co., Ltd.)
"HAZMAG Germany"	HAZEMAG&EPR GmbH
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Hong Kong Companies Ordinance"	Companies Ordinance Chapter 622 of the Laws of Hong Kong
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hubei BNBM"	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IFRS"	International Financial Reporting Standards

Definitions *(Continued)*

"increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Industrial Ceramics Institute"	山東工業陶瓷研究設計院有限公司 (Shandong Industrial Ceramics Research & Design Institute Co., Ltd.)
"Informationalized and Industrialized"	High-level and deep combination of Informatization and Industrialization
"Jetion Solar"	中建材浚鑫科技股份有限公司 (Jetion Solar (China) Co., Ltd.)
"Jiahua Cement"	嘉華特種水泥股份有限公司 (Jiahua Special Cement Company Limited)
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangsu Solar Energy"	江蘇太陽能新材料有限公司 (Jiangsu Solar Energy Materials Co., Ltd.)
"Jiangsu Tianshan"	江蘇天山水泥集團有限公司 (Jiangsu Tianshan Cement (Group) Co., Ltd.)
"Jiangxi Porcelain"	中材江西電瓷電氣有限公司 (Sinoma Jiangxi Porcelain Electric Co., Ltd.)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"Kharachi Company"	喀喇沁草原水泥有限責任公司 (Kharachi Grassland Cement Co., Ltd.)
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Liyang Tianshan"	溧陽天山水泥有限公司 (Liyang Tianshan Cement Co., Ltd.)
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"Luopu Tianshan"	洛浦天山水泥有限責任公司 (Luopu Tianshan Cement Co., Ltd.)
"Merger"	the merger by absorption of Sinoma by the Company in accordance with the PRC Company Law and other applicable PRC laws as contemplated under the Merger Agreement

"Merger Agreement"	the merger agreement dated 8 September 2017 entered into between the Company and Sinoma, pursuant to the terms and conditions of which the Company and Sinoma will implement the Merger
"Midong Tianshan"	新疆米東天山水泥有限責任公司 (Xinjiang Midong Tianshan Cement Co., Ltd.)
"MIIT"	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China)
"Nanjing Mining"	中國非金屬材料南京礦山工程有限公司 (Sinoma Nanjing Mining Engineering Co., Ltd.)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"NBS"	中國國家統計局 (National Bureau of Statistics of China)
"Ningxia Building Materials"	寧夏建材集團股份有限公司 (Ningxia Building Materials Group Co., Limited)
"Ningxia Saima"	寧夏賽馬水泥有限公司 (Ningxia Saima Cement Co., Ltd.)
"Nitride Ceramics"	中材高新氮化物陶瓷有限公司 (Sinoma Advanced Nitride Ceramics Co., Ltd.)
"Non-Competition Agreement"	the non-competition agreement dated 28 February 2006 entered into between the Company and the Parent, which is stated on pages 155 to 157 of the prospectus of the Company
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*) (previously known as 中國建築材料集團有限公司 (China National Building Materials Group Corporation))
"Parent Group"	the Parent and its subsidiaries
"PCP"	PCP, Price-Cost-Profit
"PRC"	the People's Republic of China
"Promoters"	the promoters of the Company, namely the Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading

Definitions *(Continued)*

"Qilianshan Cement" or "Qilianshan Co.,"	甘肅祁連山水泥集團股份有限公司 (Gansu Qilianshan Cement Group Company Limited)
"Qilianshan Holdings"	甘肅祁連山建材控股有限公司 (Gansu Qilianshan Building Materials Holdings Company Limited)
"Qingtongxia Cement"	寧夏青銅峽水泥股份有限公司 (Ningxia Qingtongxia Cement Co., Ltd.)
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2017 to 31 December 2017
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Saima Kejin"	寧夏賽馬科進混凝土有限公司 (Ningxia Saima Kejin Concrete Co., Ltd.)
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shandong Membrane Materials"	中材科技膜材料(山東)有限公司 (Sinoma Technology Membrance Materials (Shandong) Co., Ltd.)
"Shandong Sinoma Engineering"	山東中材工程有限公司 (Shandong Sinoma Engineering Co., Ltd.)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanshui Cement"	中國山水水泥集團有限公司 (China Shanshui Cement Group Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Sinoma"	中國中材股份有限公司 (China National Materials Company Limited) a joint stock limited company incorporated in the PRC with limited liability whose H-shares are listed and traded on the Stock Exchange
"Sinoma (Gansu)"	中材甘肅水泥有限責任公司 (Sinoma (Gansu) Cement Co., Ltd.)
"Sinoma Investment"	Sinoma Investment (Hong Kong) Co., Ltd. (中國中材投資(香港)有限公司)
"Sinoma (Tianshui)"	天水中材水泥有限責任公司 (Sinoma (Tianshui) Cement Co., Ltd.)

"Sinoma Advanced"	中材高新材料股份有限公司 (Sinoma Advanced Materials Co., Ltd.)
"Sinoma Anhui"	中材安徽水泥有限公司 (Sinoma Anhui Cement Co., Ltd.)
"Sinoma Blade"	中材科技風電葉片股份有限公司 (Sinoma Wind Power Blade Co., Ltd.)
"Sinoma Cement"	中材水泥有限責任公司 (Sinoma (Tianshui) Cement Co., Ltd.)
"Sinoma Group"	Sinoma and its subsidiaries
"Sinoma Hanjiang"	中材漢江水泥股份有限公司 (Sinoma Hanjiang Cement Co., Ltd.)
"Sinoma Hengda"	中材亨達水泥有限公司 (Sinoma Hengda Cement Co., Ltd.)
"Sinoma International"	中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.)
"Sinoma Jinjing"	中材金晶玻纖有限公司 (Sinoma Jinjing Fiber Glass Co., Ltd.)
"Sinoma Lithium Membrane"	中材鋰膜有限公司 (Sinoma Lithium Membrane Co. Ltd.)
"Sinoma Luoding"	中材羅定水泥有限公司 (Sinoma Luoding Cement Co., Ltd.)
"Sinoma Mining"	中材礦山建設有限公司 (Sinoma Mining Construction Co., Ltd.)
"Sinoma Parent"	中國中材集團有限公司 (China National Materials Group Corporation Ltd.), a state-owned enterprise, which, as at the date of this report, directly and indirectly holds approximately 43.87% of Sinoma's issued share capital and is a wholly-owned subsidiary of the Parent
"Sinoma Parent Group"	Sinoma Parent and its subsidiaries (including Sinoma Group)
"Sinoma Pingxiang"	中材萍鄉水泥有限公司 (Sinoma Pingxiang Cement Co., Ltd.)
"Sinoma Science & Technology"	中材科技股份有限公司 (Sinoma Science & Technology Co., Ltd.)
"Sinoma Suzhou"	蘇州中材建設有限公司 (Sinoma (Suzhou) Construction Co., Ltd.)
"Sinoma Zhuzhou"	中材株洲水泥有限責任公司 (Sinoma Zhuzhou Cement Co., Ltd.)
"Six-star Enterprise"	enterprise with desirable operating result, delicacy management, leading environmental protection, well-known brand, advanced simplicity, safety and stability
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"South New Materials"	南方新材料科技有限公司 (South New Materials Technology Company Limited)

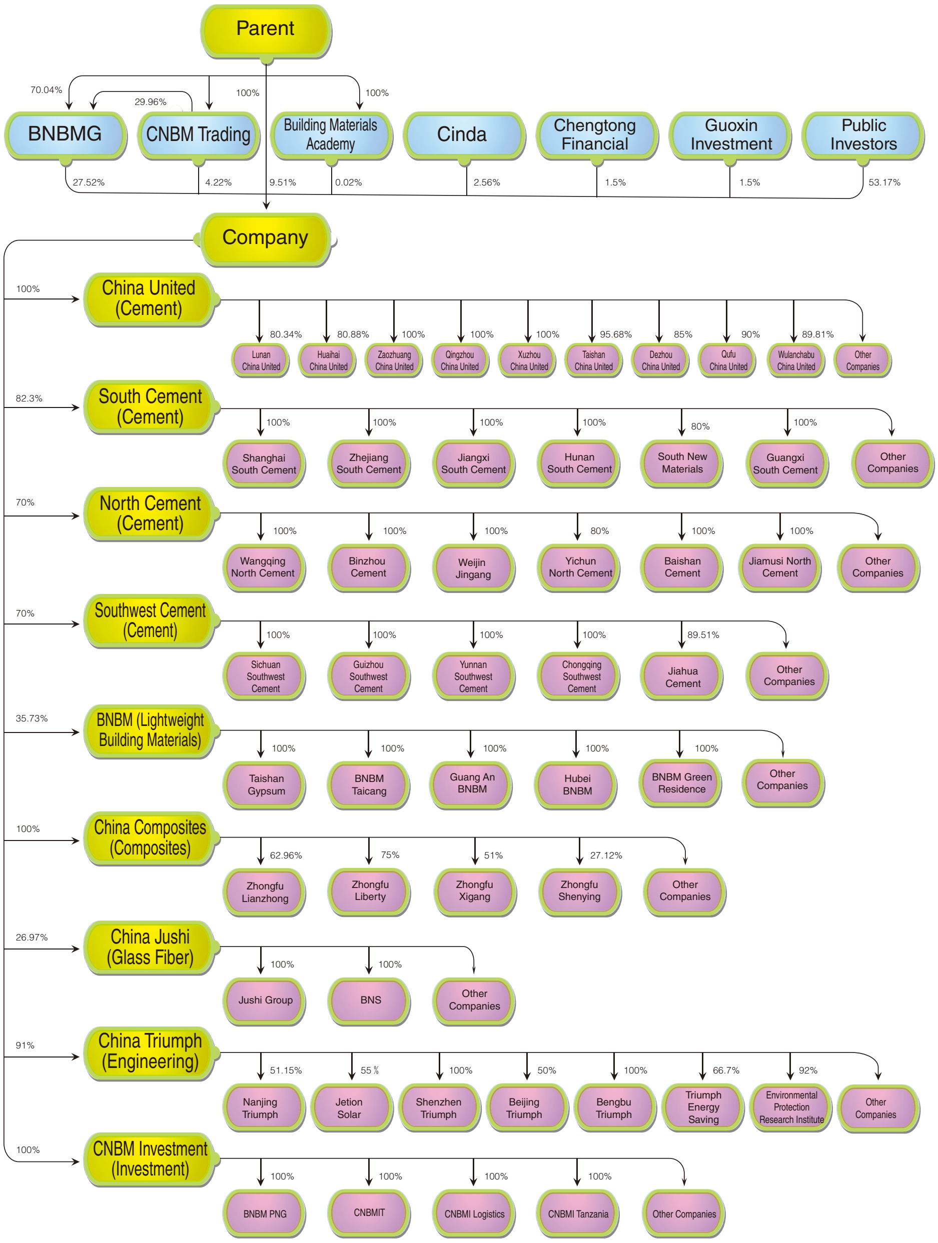
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Synthetic Crystals"	北京中材人工晶體研究院有限公司 (Beijing Sinoma Synthetic Crystals Co., Ltd.)
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"TCDRI"	天津水泥工業設計研究院有限公司 (Tianjin Cement Industry Design & Research Institute Co., Ltd.)
"Thirteenth Five-Year Plan"	the Thirteenth Five-Year Plan for the National Economic and Social Development of the People's Republic of China
"Tianjin Mining"	天津礦山工程有限公司 (Sinoma Tianjin Mining Engineering Co., Ltd.)
"Tianshan Cement"	新疆天山水泥股份有限公司 (Xinjiang Tianshan Cement Co., Ltd.)
"Triumph Energy Saving"	上海凱盛節能工程技術有限公司 (Shanghai Triumph Energy Saving Engineering Technology Company Limited)
"Two Funds"	the amount of account receivables and the inventory amount
"Wangqing North Cement"	汪清北方水泥有限責任公司 (Wangqing North Cement Limited Liability Company) (previously known as 吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co. Ltd.))
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Wushan Cement"	祁連山武山水泥廠 (Qilianshan Wushan Cement Factory)
"Xi'an Mining"	中國建築材料工業建設西安工程有限公司 (China Building Materials Industrial Corporation Xi'an Engineering Co., Ltd.)

“Xiamen Standard Sand”	廈門艾思歐標準砂有限公司 (Xiamen ISO Standard Sand Co., Ltd.)
“Xinjiang Tunhe”	新疆屯河水泥有限責任公司 (Xinjiang Tunhe Cement Co., Ltd.)
“Xuzhou China United”	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
“Yanzhou Mining”	兗州中材建設有限公司 (Sinoma Construction Yanzhou Co., Ltd.)
“Yecheng Tianshan”	葉城天山水泥有限責任公司 (Yecheng Tianshan Cement Co., Ltd.)
“Yichun North Cement”	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
“Yixing Tianshan”	宜興天山水泥有限責任公司 (Yixing Tianshan Cement Co. Ltd.)
“Yunfu Tianshan”	中材天山(雲浮)水泥有限公司 (Sinoma Yunfu Tianshan Cement Co., Ltd.)
“Yunnan Southwest Cement”	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
“Zaozhuang China United”	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
“Zhejiang South Cement”	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited)
“Zhongfu Lianzhong”	連雲港中復連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
“Zhongfu Liberty”	常州中復麗寶第複合材料有限公司 (Changzhou China Composites Liberty Company Limited)
“Zhongfu Shenying”	中復神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Company Limited)
“Zhongfu Xigang”	威海中復西港船艇有限公司 (Weihai Zhongfu Xigang Ship Co., Ltd)
“Zhongning Saima”	寧夏中寧賽馬水泥有限公司 (Ningxia Zhongning Saima Cement Co., Ltd.)
“Zibo Sinoma Jinjing”	淄博中材金晶玻纖有限公司 (Zibo Sinoma Jinjing Fiberglass Co., Ltd.)

* *For identification purposes only*

Shareholding Structure of the Group

The simplified structure of the Group as of 31 December 2017 is set out below:



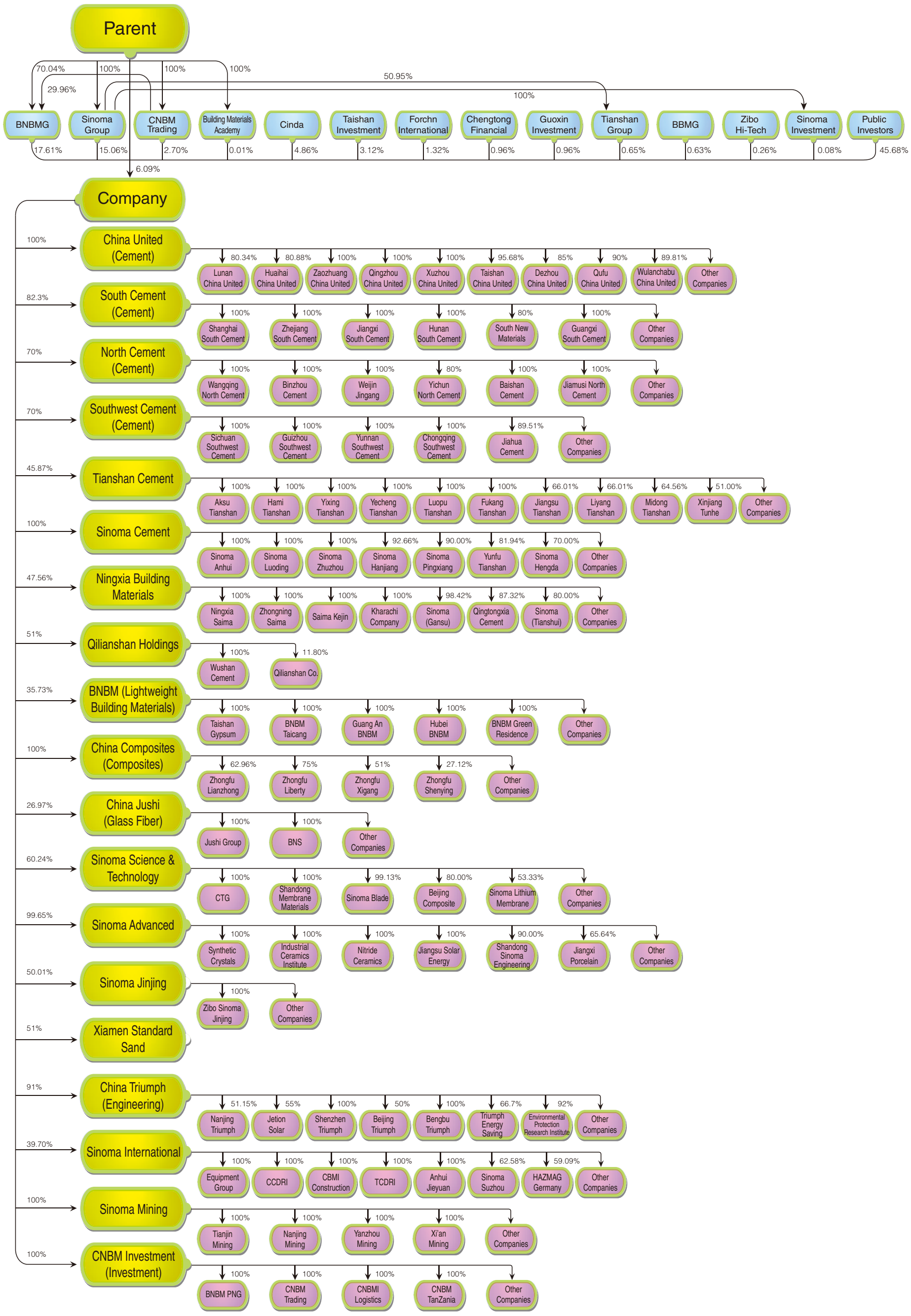
Note: The aforementioned percentages are rounded to 2 decimal places.

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

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

Shareholding Structure of the Group after the Merger with Sinoma

On 8 September 2017, the Company entered into the Merger Agreement with Sinoma, pursuant to which Sinoma will be merged into and absorbed by the Company in accordance with the PRC Company Law and other applicable PRC laws. The simplified structure of the Group upon completion of the Merger with Sinoma is set out below:



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

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

Immediately after the share exchange: the Parent still holds 8,536 million H Shares of the Company, accounting for 0.10% of the total share capital upon the Merger.

Financial Highlights

The summary of financial results of the Group for 2017 and 2016 is as follows:

	For the year ended 31 December	
	2017	2016
	(RMB in thousands)	
Revenue	**127,626,322**	101,546,783
Gross profit	**35,245,224**	26,791,610
Profit after taxation	**6,340,140**	2,809,503
Profit attributable to equity holders of the Company	**3,224,802**	1,048,098
Distribution made to the equity holders of the Company	**232,158**	199,764
Earnings per share-basic *(RMB)*(1)	**0.597**	0.194

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2016 and the weighted average number of 5,399,026,262 shares for 2017.

	As at 31 December	
	2017	2016
	(RMB in thousands)	
Total assets	**347,193,701**	340,787,327
Total liabilities	**261,814,327**	265,243,652
Net assets	**85,379,374**	75,543,675
Non-controlling interests	**23,422,015**	21,706,928
Equity attributable to equity holders of the Company	**45,241,089**	41,833,061
Net assets per share weighted average *(RMB)*(1)	**8.38**	7.75
Debt to assets ratio(2)	**50.8%**	54.4%
Net debts/equity ratio(3)	**195.7%**	231.7%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2016 and the weighted average number of 5,399,026,262 shares for 2017.

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

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

The major operating data of each segment of the Group for 2017 and 2016 are set out below:

CEMENT SEGMENT

China United

	For the year ended 31 December	
	2017	2016
Production volume - cement *(in thousand tonnes)*	**57,851**	55,990
Production volume - clinker *(in thousand tonnes)*	**52,612**	52,860
Sales volume - cement *(in thousand tonnes)*	**53,967**	50,853
Sales volume - clinker *(in thousand tonnes)*	**13,045**	16,152
Unit selling price - cement *(RMB per tonne)*	**274.5**	211.0
Unit selling price - clinker *(RMB per tonne)*	**249.4**	175.5
Sales volume - commercial concrete *(in thousand m^3)*	**36,501**	33,005
Unit selling price - commercial concrete *(RMB per m^3)*	**343.7**	272.1

South Cement

	For the year ended 31 December	
	2017	2016
Production volume - cement *(in thousand tonnes)*	**97,087**	96,971
Production volume - clinker *(in thousand tonnes)*	**87,583**	86,264
Sales volume - cement *(in thousand tonnes)*	**94,287**	90,534
Sales volume - clinker *(in thousand tonnes)*	**18,777**	21,942
Unit selling price - cement *(RMB per tonne)*	**249.3**	200.8
Unit selling price - clinker *(RMB per tonne)*	**248.0**	170.1
Sales volume - commercial concrete *(in thousand m^3)*	**41,511**	36,468
Unit selling price - commercial concrete *(RMB per m^3)*	**345.4**	293.6

Business Highlights *(Continued)*

CEMENT SEGMENT *(CONTINUED)*

North Cement

	For the year ended 31 December	
	2017	2016
Production volume - cement *(in thousand tonnes)*	**16,690**	19,061
Production volume - clinker *(in thousand tonnes)*	**12,337**	14,363
Sales volume - cement *(in thousand tonnes)*	**16,331**	19,171
Sales volume - clinker *(in thousand tonnes)*	**2,001**	3,200
Unit selling price - cement *(RMB per tonne)*	**314.6**	257.7
Unit selling price - clinker *(RMB per tonne)*	**253.9**	198.9
Sales volume - commercial concrete *(in thousand m^3)*	**2,889**	2,443
Unit selling price - commercial concrete *(RMB per m^3)*	**334.0**	294.5

Southwest Cement

	For the year ended 31 December	
	2017	2016
Production volume - cement *(in thousand tonnes)*	**85,987**	85,173
Production volume - clinker *(in thousand tonnes)*	**63,534**	60,867
Sales volume - cement *(in thousand tonnes)*	**86,361**	85,121
Sales volume - clinker *(in thousand tonnes)*	**2,325**	2,182
Unit selling price - cement *(RMB per tonne)*	**247.5**	213.8
Unit selling price - clinker *(RMB per tonne)*	**227.2**	204.5
Sales volume - commercial concrete *(in thousand m^3)*	**1,333**	1,247
Unit selling price - commercial concrete *(RMB per m^3)*	**295.0**	259.0

NEW MATERIALS SEGMENT

BNBM

	For the year ended 31 December	
	2017	2016
Gypsum boards – BNBM		
Production volume *(in million m^2)*	**305.5**	263.9
Sales volume *(in million m^2)*	**307.7**	264.1
Average unit selling price *(RMB per m^2)*	**6.57**	5.92
Gypsum boards – Taishan Gypsum		
Production volume *(in million m^2)*	**1,520.6**	1,368.0
Sales volume *(in million m^2)*	**1,513.1**	1,371.3
Average unit selling price *(RMB per m^2)*	**4.92**	3.88

CHINA COMPOSITES

	For the year ended 31 December	
	2017	2016
Rotor blade		
Production volume *(in blade)*	**3,058**	3,707
Sales volume *(in blade)*	**3,276**	4,126
Average unit selling price *(RMB per blade)*	**464,300**	453,500

Chairman's Statement

Dear shareholders,

2017 is an important year for implementing the "Thirteenth Five-year Plan", and the year for deepening the supply-side structural reform. The macro-economic continued the trend of stable improvement, with a year-on-year increase in 6.9% of GDP, a year-on-year increase in 7.2% of the fixed asset investment, a year-on-year increase in 7.0% of real estate development investment, a year-on-year increase in 7.0% of new construction area of housing and a year-on-year increase in 15.8% of land acquisition area of real estate development enterprises. Under continuous stability of market demand, the building materials industry accelerated the supply-side structural reform, which vigorously resolved excess capacity, further promoted the joint reorganization, and strived to implement the peak-shifting production, the price of building materials leading products rebounded sharply, and the economic efficiency in the industry improved significantly.

2017 is the initial year after the restructuring of Parent Group and Sinoma Parent Group, under the appropriate decision-making and leadership of the Board, the Company enhanced business cooperation within the Group, leveraged synergic effect, endeavored to overcome the objective factors such as the structural and cyclical conflicts in economic operation, severe excess capacity, rising prices of raw fuels and materials and unprecedented increase in pressure on environmental protection, achieved a substantial increase in operating

Mr. Song Zhiping
Chairman of the Board
Executive Director

results, and obtained new achievements in integration and optimization, as well as quality and efficiency enhancement. The Company proactively pushed forward conversion of shares and merger of the Company with Sinoma Group, the two listed companies, obtaining active support by shareholders. The merger plan was approved at the shareholders' meeting of the two companies with over 99% votes in favour, becoming a remarkable event in the capital market and it is expected that the Merger will soon complete as all conditions to effectiveness and implementation were fulfilled on 16 March 2018. For the year 2017, the Group's consolidated operating revenue amounted to RMB127,626.3 million, representing a year-on-year increase in 25.7% whereas the profit attributable to equity holders of the Company amounted to RMB3,224.8 million, representing a year-on-year increase in 207.7%.

Last year, the management and the entire staff made concerted efforts and overcame various challenges, fully achieved the annual production and operation objectives and tasks. Since our achievements were hard earned, the experiences therefrom are very precious. Meanwhile, I hereby sincerely express my heartfelt gratitude to all our Shareholders for their lasting trust and great support. On behalf of the Board, I am pleased to present the Company's 2017 Annual Report and major results to you.

In 2017, the Company continued to follow the four operation and management principles of "integration and optimisation, quality and efficiency enhancement", "preparation, meticulosity, refinement and solidity, action first", "price stabilisation, cost reduction, receivables collection, inventory control and adjustment", and "profit and efficiency as first priority", adhered to the principle of improving the quality and efficiency of development and taking the supply-side structural reform as the main line, firmly implemented the overall direction of "maintaining steady growth, promoting reforms, preventing risks and enhancing Party building" to coordinate various work and achieved excellent operating performance indicators. The Company promoted restructuring and reform simultaneously, with significant achievements in innovation and transformation, and made new progress in "One Belt, One Road".

In terms of operating results, the Company proactively implemented the supply-side structural reform of the cement industry, continued to adhere to the operating concept of "PCP", took initiative to weed out the PC32.5R cement, limited the addition and implementation of peak shifting production, made crucial contributions to the removal of excess capacity, which effectively improved the contradiction between supply and demand within the region, and promoted the rational rise of cement prices. In terms of restructuring and reform, the restructuring of Parent Group and Sinoma Parent Group were seamlessly and deeply integrated. The share exchange and merger between the two Hong Kong listed companies were approved at the shareholders' general meetings of the two companies, and all conditions to effectiveness and implementation have been fulfilled. In terms of innovation and transformation, the Company strengthened the innovation-driven, centering on the Three Curves of "pursuing intensive and meticulous development of basic materials, endeavoring to develop new materials, and actively cultivating R&D, engineering and technical services and other new business formats" to promote four transformations, namely "high-end, intelligent, green and international-oriented" transformation, adjust the structure, optimize the layout, and form a development trend focusing on three markets, namely cement, new materials and engineering services. In terms of "One Belt, One Road", the Company grasped the national strategic opportunities, and supported the construction of "One Belt, One Road" with advanced technology, superior production capacity and high-quality building materials. With continuous improvement of overseas influence, the Company has become a national successful explorer of "Going Global" of the industry in China.

Chairman's Statement *(Continued)*

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

In 2018, the domestic economy will remain stable with gradual improvement. The economy of China will enter a stage of high-quality development from a stage of rapid growth, and will continue to its long-term adherence to the general working tone of making progress while ensuring stability and will continue to deepen supply-side structural reform as the main line of economic work. Three major battles of preventing and resolving major risks, poverty alleviation and prevention and control of pollution have been commenced. From the perspective of the industry, the growth rate of GDP in 2018 will remain at around 6.5%, the market demand will have a stable support, while the development of cement and other bulk building materials products are still under a platform stage. Meanwhile, with the deepening supply-side structural reform, and driven by the increasing efforts in removal of excess capacity and the improvement of cement industry standards, the development of building materials industry will continue its steady growth on the basis of this year. From the perspective of the Company, the integration of the organizational structure in business sector will be gradually promoted, the synergic effect will be further manifested, and the superposition advantage will be further released. The overall enterprise quality will be fully improved, and the leading position in the world's building materials industry will continue to consolidate, substantially enhancing its influence and competitiveness, resulting that CNBM will enter a new phase of high-quality development.

2018 is a year of deep integration, innovation and development and mechanism reform of CNBM. The Company will continue to follow the work direction of "maintaining steady growth, promoting reforms, preventing risks and enhancing Party building" and the management principle of "adhering to priority of efficiency and effectiveness, insisting on the main highlight of specialization, adhering to the meticulosity, refinement and solidity, putting emphasis on the operating concept of "PCP", upholding the integration and optimization, striving for digitization", struggling for the main line for work of "price increase and quality control, cost reduction, receivables collection, inventory control and adjustment", and promote management and control of Two Funds, adjustment and transformation, mechanism construction, to achieve high-quality development. In the coming year, the Company will herald the future and forge ahead to develop the Company as a world-class building materials company with global competitiveness, and make new and greater contributions to boost the state-owned capital, sparing no efforts to repay the Shareholders and the society.

Song Zhiping
Chairman of the Board

Beijing, the PRC
23 March 2018

BUSINESS OVERVIEW

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

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

The business segments and the major operating entities of each business segment for the Group after merger with Sinoma:

Business segments	Major products and services	Major operating entities attributable to the Company	Direct and indirect equity interests held by the Company
Cement	NSP cement and commercial concrete	China United	100%
		South Cement	82.3%
		North Cement	70%
		Southwest Cement	70%
		Tianshan Cement	45.87%
		Sinoma Cement	100%
		Ningxia Building Materials	47.56%
		Qilianshan Cement	51%
New materials segment	Dry wall and ceiling system	BNBM	35.73%
	Glass fibre and composite materials	China Composites	100%
		China Jushi	26.97%
		Sinoma Science & Technology	60.24%
		Sinoma Advanced	99.65%
		Sinoma Jinjing	50.01%
		Xiamen Standard Sand	51.00%
Engineering services	Design and engineering EPC services:		91%
	Float glass production lines and	Sinoma International	39.70%
	NSP cement production lines	Sinoma Mining	100%

Mr. Cao Jianglin
President
Executive Director

In 2017, there were both opportunities and challenges in transformation and upgrading of economy and adjustment to industry structure. The Group complied with the four operation and management principles of "integration and optimisation, quality and efficiency enhancement", "preparation, meticulosity, refinement and solidity, action first", "price stabilisation, cost reduction, receivables collection, inventory control and adjustment", and "profit and efficiency as first priority", to insist on the focus of improving the development quality and efficiency, and follow the main direction to boost the supply-side structural reform. In addition, it further promoted the lean production and delicacy management, and gradually enhanced the operation efficiency. While establishing the layout of "Three Curves", the innovation and transformation brought significant achievements and continuous breakthroughs in major industrial technology. The consolidation of two H shares listed companies has been stepped up. It actively led to a continuous and in-depth promotion of supply-side structural reform in cement industry. In 2017, the total sales volume of cement and clinker decreased by 0.7% year on year to 289.3 million tonnes, commercial concrete sales volume increased by 12.8% year on year to 84.0 million m^3, gypsum board sales volume increased by 11.4% year on year to 1,821 million m^2, rotor blades sales volume decreased by 20.6% year on year to 3,276 blades, total sales volume of glass fibre increased by 29.8% year on year to 1.45 million tonnes; the revenue of the Group increased by 25.7% year on year to RMB127,626.3 million and the profit attributable to the equity holders of the Company increased by 207.7% year on year to RMB3,224.8 million.

CEMENT SEGMENT

In 2017, Chinese economy had a steady growth with a rising trend while maintaining stability, with better-than-expected result, while the fixed-asset investment gradually expanded. The infrastructure investment remained at a high level. In addition, the real estate investment grew at a steady pace, supporting the demand for cement and extension of platform period development trend. As a result, the national cement production amounted to 2.34 billion tonnes, representing a year-on-year decrease of 3.1%. Also, the effect of the supply-side structural reform was seen. With the full coverage of the central government environment inspection in 31 provinces and cities, the breadth and depth of the execution of peak shifting production were better-than-expected, enhancing the self-discipline of the industry. Therefore, the balance of supply and demand was effectively achieved, and the inter-regional shifting impact on cement has been alleviated, leading to a rebound of cement price.

In 2017, the central government regarded the solution of excess capacity as one of the important missions. The government authorities, including MEP and MIIT, gave the green light to the polices, i.e. peak shifting production, abolishing the PC32.5R Cement, volume reduction and replacement, and completed the legal work of permission of emissions. The effectiveness of supply-side structural reform in the cement industry was significant, while the enhancement of the balance between supply and demand was obvious. In 2017, the investment in the cement industry of China decreased by 12.10% year-on-year. The newly-added production capacity of clinkers was 20.46 million tonnes, representing a-year on-year decrease of 20%. The aggregate market share of the top ten NSP cement clinker companies was 57%. Meanwhile, large cement enterprises further deepened consolidation and restructuring to enhance the synergy effect. (Sources: NBS, MEP, MIIT and China Cement Association (中國水泥協會)).

In 2017, the Company proactively responded to the challenges including platform period of demand, excess capacity, significant increase in price of coal and upgrading of environment protection. It strengthened the "PCP" operating concept. The execution of normalized peak shifting production and the enhancement of promoting industry standard effectively improved the contradiction between supply and demand, and rationally increased the cement price. Accelerating the aggregate business layout became the new profit growth points. The regulated adjustment to product structure promotion led to the development direction of "Four Modernization", i.e. high-standardization, specialization, commercialization and productization. While continuously promoting the integration and construction of mining resources, sustainable development could be achieved. CNBM promoted lean production and delicacy management, improving the centralized procurement system and strictly controlling costs. As at the end of 2017, the production capacity of cement reached 525 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

China United

China United continued to adhere to the "PCP" operating concept and actively executed normalized peak shifting production. The balance of supply and demand has been actively reached. The market research was enhanced, and the marketing strategies of "controlling clinker, stabilizing high-end product sales and expanding low-end product sales" were implemented, leading to further optimization of sales structure.

Further promoting in-depth management integration and optimizing the regional safe production system first enhanced the efficient capacity of high-level production lines. With full control of the factors of executed operation costs, optimization of enhanced technologies and energy conservation and consumption reduction, the direct supply of coal and cost reduction have been promoted.

The development of new economic growth points and concrete and aggregate business accelerated rapidly. The plan of "three major businesses" was basically formed. The advantages of synergic operation in the industry have been shown, driving the construction of the intelligent plants and in-depth integration of informationalized and industrialized development. Through accelerating the pace of "Going Global", a cement construction project in Mongolia came in the full production stage with favourable efficiency. At as the end of 2017, the production capacity of cement was 106 million tonnes.

South Cement

By deeply practising the operating concept of "PCP", South Cement formulated and implemented an industry unified program to limit production by regions and phases, strengthened control and management of clinker resources, implemented connection of large and small kilns and exchange of clinker, which maintained the relationship between supply and demand in the market and realize rational recovery of price, strengthening the management of basic markets, enhancing the development efforts of large-scale terminals and key project clients, and stabilizing the core market share.

South Cement strengthened the centralized management to promote the centralized and unified management model of cement factories area on a pilot basis, continued to implement the all-round and full process delicacy management to strengthen the procurement strategic cooperation with large-scale coal enterprises, and enhanced tendering management to reduce coal procurement costs. Logistics costs were effectively reduced by strengthening logistics management and resource optimization while strengthening capital management, innovating financing means to reduce financing costs. Through strengthening labor cost budget management and promoting downsizing and efficiency improvement, the unit labor costs dropped significantly.

South Cement comprehensively optimized the management system of small-scale commercial concrete, steadily improved the operating quality of commercial concrete, actively extended the industrial chain, and strengthened acquisition, construction and management of mine resources. As at the end of 2017, the production capacity of cement reached 148 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

North Cement

North Cement endeavored to overcome grim situation of severe excess capacity and continued sharp fall in market demand, unwaveringly adhering to the operating concept of "PCP", and continued to implement peak-shifting production, which effectively relieve the pressure of overcapacity and achieve a steady growth in prices.

North Cement further optimized its organizational structure, fully leveraged the leading role of large enterprises, and actively established a regional sales platform to promote the zoning operation. It adhered to the streamlining of institutions, capable personnel, and completed the merger of Harbin and Longbei management area to further enhance the management efficiency.

North Cement continued to promote integration of mining resources. As at the end of 2017, the production capacity of cement reached 37 million tonnes.

Southwest Cement

Upholding the operating concept of "PCP", Southwest Cement proactively practised peak shifting production and suspension of kiln and limited production. It optimized the sales channels, stabilisation of stocks, procural of increment and maintenance of share, co-ordinated internal resource management, focused on key projects, and achieved a new high in sales volume.

Deepening the adjustment to organizational structure, Southwest Sichuan Cement and Chongqing Southwest Cement were merged to become Chuanyu Southwest Cement, implemented the integrated management of the regional market. Southwest Cement Deepened lean production and delicacy management, exploring "Internet +" and management of procurement big data, increased efforts in centralized bidding management of coal, and implemented a number of measures to reduce electricity costs. Accounts receivable continued to maintain a favourable level as strict control was implemented on accounts receivable.

Southwest Cement extended the industry chain and promote the co-processing project of garbage and solid waste in cement kilns, strove to enhance and to expand special cement business, continue to promote the research and development of micro-particulate clinker technology and strengthened the special cement segment to increase its market share. As at the end of 2017, the production capacity of cement reached 120 million tonnes.

Subsidiaries of Sinoma

Pursuant to the Merger Agreement, Sinoma will be merged into and absorbed by the Company in accordance with the PRC Company Law and other applicable PRC laws. As at the date of this report, all conditions to the Merger Agreement becoming effective and all conditions to the implementation of Merger Agreement have been fulfilled. After completion of the Merger, the following companies which are subsidiaries of Sinoma as at the date of this report will become subsidiaries of the Company.

CEMENT SEGMENT *(CONTINUED)*

Subsidiaries of Sinoma *(continued)*

Tianshan Cement

Upholding the operating concept of "PCP", Tianshan Cement proactively cooperated with the government to promote the supply-side structural reform in the cement industry. Relying on the peak shifting production of the competent department in the industry, taking the lead to remove 32.5 grade cement and other initiatives, Tianshan Cement laid a foundation for the structural improvement in supply and demand of cement market in Xinjiang and increase in price.

Tianshan Cement achieved optimization in cost and increase in efficiency by strengthening internal control management, achieved controllable costs by deeply implementing the unified management of material and logistics, broke down the cost composition and refined benchmarking. With remarkable effect of reduction in Two Funds, and completion of non-public issuance of shares, the asset structure of Tianshan Cement was improved.

Tianshan Cement accelerated the pace of adjustment to industrial structure, improved the industrial chain of "clinker – cement – commercial concrete", and gradually extended to the field of environmental governance with help of technical advantage in co-treatment in cement kilns. As of the end of 2017, the production capacity of cement reached 39 million tonnes.

Sinoma Cement

Sinoma Cement proactively promoted the supply-side structural reform of the industry and profit-orientation, stabilized the sales volume, and proactively improved the competition and cooperation relationship in the industry to jointly promote healthy development of the industry.

Sinoma Cement attached great importance to delicacy management of enterprise, and continued to promote the construction of three-tier management and control system of materials procurement. The coverage of centralized tendering procurement has reached 90%. With the remarkable effect of deleverage and debt reduction and control of accounts receivable and inventory work, the debt asset ratio, accounts receivable and inventory of Sinoma Cement continued to decline. It promoted the constant deepening of all element and benchmark from three-tier benchmark of production, procurement and finance to rectify and eliminate the differences, and promote cost reduction and efficiency enhancement of enterprise. The company continued to promote the establishment of environmental management system and safety standardization system, and all member enterprises had passed the first class inspection and acceptance of National Security Standardization.

The company steadily promoted environmental friendly strategy. The co-treatment of household waste in cement kilns project has been put into operation, while the circular economy industry park has shown signs of scale. Sinoma Cement actively promoted the international strategy, the clinker production line, with daily production capacity of 2,500 tonnes in Zambia industry park has entered into its count-down stage for commencement of operation. The company implemented integration on relevant ancillary resources of mineral resources and upstream and downstream industry chain, and had a good foundation for sustainable development. As of the end of 2017, the production capacity of cement reached 24 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

Subsidiaries of Sinoma *(continued)*

Ningxia Building Materials

Upholding the operating concept of "PCP", Ningxia Building Materials seized the policy opportunities brought by supply-side structural reform of the country and peak shifting production of the industry to steadily promote marketing, cost reduction and efficiency enhancement, safety and environmental protection, intelligent manufacturing and other work". Ningxia Building Materials vigorously promoted effective integration of market resources for improvement of relationship between supply and demand in the market, so as to reduce disorderly competition, consolidate the core market and key engineering market, and open up civil market.

Ningxia Building Materials adjusted and optimized the structure of corporate assets and liabilities to reduce interest-bearing debt and financial cost, spared no efforts to promote intelligent manufacturing to foster new core competitiveness, and promoted the improvement in delicacy management of the enterprise and enhancement in labor productivity by establishing energy management platform, customers and merchants platform, intelligent storage platform and security early warning platform.

The company proactively developed the extended industry chain of aggregate business to cultivate new growth point. As of the end of 2017, the production capacity of cement reached 21 million tonnes.

Qilianshan Cement

Qilianshan Cement proactively responded to the complicated and grim production and operation situation of a slump of growth rate of investment in fixed assets in the region where it was located. Downward pressure on the external economy continued to increase and serious regional excess capacity was seen. Qilianshan Cement thoroughly implemented the operating concept of "PCP" for new market exploration and cost reduction, effectively implemented peak shifting production in winter, while practised peak shifting production in summer timely to promote healthy competition and development in the regional market.

By optimizing the strategic layout of the enterprise development, upgrading the information management and control level, innovating the sales mode, deepening the reform of human resources allocation and other means, Qilianshan Cement comprehensively enhanced its corporate governance level, put efforts to reduce costs and increase efficiency, strived to develop new market, strengthened internal management and deepened the reform and innovation.

As of the end of 2017, the production capacity of cement reached 28 million tonnes.

NEW MATERIALS SEGMENT

BNBM

BNBM continued to implement the strategy of "focus strategy" and "high ground" to deepen brand advantage and fully implement marketing 2.0, as a result of increase in sales volume and prices of gypsum board. BNBM continued to promote the centralized management of financial capital so as to achieve delicacy management, promoted the tough and lightweight board technologies and development of production lines, streamlined the organizations and increase centralized procurement and bidding procurement to significantly reduce production costs. BNBM comprehensively promoted the benchmarking management to cultivate "six-star" benchmarking enterprise and fully realize the "100-person plant" and "100-person base."

BNBM actively participated in the construction of "One Belt, One Road" and entered into the Tanzanian gypsum board project which marked the start of its globalization layout. As the first Chinese company formally signed EFQM, BNBM will jointly promote the globalization of high performance model of Chinese enterprises.

China Composites

China Composites proactively coped with the installation restriction policy in Sanbei Wind Area, and the situation of sharp decline in rotor blade demand, implemented the "Two Sea Strategy" in centre east low wind speed area and overseas and offshore wind area, promoting product transformation and upgrading, optimization of industry layout. Delicacy full life cycle of management and control on product manufacturing were carried out to reduce main material costs by leveraging advanced technology.

The "Key Technologies and Applications of Industrialization of Thousand Tonnes Grade Dry Jet Wet Spinning High Strength Carbon Fiber/Hundred Tonnes Grade Medium Carbon Fiber" (乾噴濕紡千噸級高強／百噸級中模碳纖維產業化關鍵技術及應用) project was awarded the first prize of National Scientific and Technological Progress Award. With the operation of new production line of thousand tonnes T800 grade carbon fiber, China Composites continued to lead the development of domestic industries.

China Jushi

China Jushi actively promoted structural adjustment, accelerating the expansion of market share in the field of energy conservation and environmental protection, enhancing the proportion of high-end products and achieved new high in sales volume and profit. Cost reduction and efficiency enhancement with point-to-area were carried out, leading that overall costs continued to drop, and cost advantages were further consolidated. Continuous technological innovation, E8 products achieved efficient production in the 10,000-tonne kiln while the research and development of E9 formula entered the large-scale production stage. Intelligent manufacturing was vigorously promoted, while the construction of the first glass fiber production line with annual capacity of 150,000 tons of the intelligent new materials manufacturing plant was sped up. While business diversification was expanded, the unsaturated polyester resin project with an annual capacity of 100,000 tonnes was put into operation, and a substantial step was taken forward in providing comprehensive services solutions to "fiberglass + resin" composites.

The globalization strategy has been greatly pushed forward. The phase III production line of the Egypt project was officially put into operation, marking the completion of the first 200,000 tonnes overseas glass fiber production plant in advance. The construction of the project of glass fibre pool kiln wire drawing production line with an annual capacity of 80,000 tonnes in the United States advanced as scheduled, while the India project was advanced steadily.

NEW MATERIALS SEGMENT *(CONTINUED)*

Subsidiaries of Sinoma

After completion of the Merger, the following companies which are subsidiaries of Sinoma as at the date of this report will become subsidiaries of the Company.

Sinoma Science & Technology

Sinoma Blade has been adhering to focus on customer and proactively cooperated with well-known international enterprises and leading domestic competitive enterprises to enter the top 10 domestic wind turbine manufacturers' supply system and achieve the cooperation with the world-class wind power wind turbine manufacturers with increasing market share. The company will regard research and development and innovation as the core driving force for enhancing its competitiveness. It has carried out various tasks in areas such as enhancement of power capacity and efficiency, weight losing and costs reduction. It has also actively promoted the low feed-in tariff of wind power to reduce the cost of electricity.

CTG continued to adjust its product structure, with continuous rise in the proportion of high-end products. CTG adhered to simultaneously promote the construction of advanced project and elimination of backward production capacity and insisted on research and development and innovation. The high-mode glass was under bulk production, production and sales volume of flat, ultra-fine, alkali-resistant fiberglass grew steadily and the mass production of low-dielectric glass was achieved.

Sinoma Lithium Membrane spared no efforts to accelerate the construction of the project to release advanced production capacity, while the testing and adjustment of production line 1 and 2 were completed and were put into operation. It vigorously developed the market to complete customer certification, strengthened technology research and development capabilities to meet customization needs of customers, and carried out planning and upgrading work of phase 2 according to the equipment level of phase 1.

Sinoma Advanced

Sinoma Advanced regarded "price stabilization, quality securing, cost reduction, receivables collection, inventory control and adjustment" as the major guideline, aimed at seizing the market, focused on cost reduction and efficiency enhancement, and continuously enhanced the capability of scientific and technological innovation. For the first time, Sinoma Advanced undertook major special mission of round trip spacecraft project. In the special project of the Ministry of Science and Technology's key scientific research program "Technological Enhancement and Industrialization of Key Basic Materials", Crystal Institute led five domestic units and undertook the subject of "key technology of transparent and glittering ceramic materials production" and continued to maintain its advantages in such area. Sinoma Electric Porcelain (中材電瓷) undertook the "Demonstration project of a new model of intelligent manufacturing of a large-scale ultra-high voltage insulator production line" in the intelligent manufacturing project of industrial transformation and upgrading (Made in China 2025) of the MIT, which promoted the transformation of industry towards automation and intellectualization. The independently researched and developed products of ceramic core hybrid insulator passed the authentication and reached the international leading standard. The first domestic φ250*6500 mm large size quartz ceramic hollow roller was successfully developed, overcoming the bottleneck of the industry. Sinoma Advanced made full use of the research and development platform of the National Industrial Ceramics Engineering and Technology Research Centre and actively applied for and built various types of innovative platforms, among which multiple platforms have been approved and completed.

ENGINEERING SERVICES SEGMENT

China Triumph

China Triumph took advantage of the "One Belt, One Road" strategy, insisted on leading the industry development by technological innovation, accelerated the development of glass engineering, new energy engineering, intelligent agriculture engineering, new housing engineering, cement engineering and energy saving and environmental protection engineering services in domestic and overseas markets, and successfully established an innovative and transformational comprehensive building materials engineering platform. The expansion of overseas engineering services and high-end glass engineering business were accelerated to explore new model of "investment & technology stocks". China Triumph relied on the successful experience of EPC and industrial chain synergy, and the proportion of new energy projects continued to increase. China Triumph undertook the construction of photovoltaic power station project in United States, Europe, Myanmar and other countries, establishing the leading position of new energy projects in Europe and United States. The largest domestic individual intelligent agriculture engineering project was put into operation, becoming a new profit growth point. Synergistic development and brand establishment on cement engineering were implemented to achieve long-term profitability of overseas EPC in all industry.

China Triumph further integrated, optimized and compressed the management level, streamlined institutions, implemented big department management, and vigorously promoted pressure control of "Two Funds", while accounts receivable was decreased significantly.

Subsidiaries of Sinoma

After completion of the Merger, the following companies which are subsidiaries of Sinoma as at the date of this report will become subsidiaries of the Company.

Sinoma International

Sinoma International actively implemented the "One Belt, One Road" initiative, and promoted the international production capacity cooperation. By taking the strategic planning of the 13th Five-Year Plan as the guideline, Sinoma International regarded the structural adjustment as the main line and the reform and innovation as the driving force, while the annual production and operation indicators of Sinoma International have made steady progress, and the competitive advantage and brand value were further enhanced.

Consolidating the advantage in main business: Sinoma International continued to promote comprehensive benchmark and delicacy management, and establishing a sound international market management and operation system to strengthen internal coordination and resources sharing and deepen global resource allocation. The core competitiveness of Sinoma International in engineering services industry continued to improve, and the global market share of the cement engineering and equipment main business remained the highest in the world for 10 consecutive years. Bulgaria's Devnya project won the Luban Award of China Construction Project. The contract of Egypt's six GOE projects were performed smoothly, creating a new model of "Made in China and Speed of China".

ENGINEERING SERVICES SEGMENT *(CONTINUED)*

Subsidiaries of Sinoma *(Continued)*

Sinoma International *(continued)*

Speeding up transformation and upgrading: relying on the advantages of the main business, Sinoma International increased its development efforts in limited related diversified new industries. The operating results of customer service, diversified engineering and energy-saving and environmental protection continued to increase. In 2017, the amount of new business contracts accounted for 31% of the total business volume. The transformation and upgrading started to take effect and the industrial structure was continuously optimized, laying a solid foundation for the comprehensive implementation of “Thirteenth Five-year Plan” strategy of the company.

Deepening reform and innovation: Sinoma International strengthened its top-level design to promote integration of internal institutions, implemented institutional system optimization to unify standard guidelines, vigorously promoted informatization construction, while the information platform regarding finance, labor, procurement and collaborative office was completed for service. The company established a goal-oriented “vertical integration” management system by focusing on comprehensive budget and target management. Through the implementation of stock options incentive plan, Sinoma International improved its long-term incentive and restraint mechanisms and enhanced the sustainability and vitality of sustainable development.

Sinoma Mining

Sinoma Mining was dedicated to the traditional business, i.e. cement and mining engineering and mining services, with great efforts put into the development of resource-related industries and with a commitment to restoration of mines and landscaping engineering industry. Sinoma Mining also maintained the storage level, competed for volume increase and strengthened our management, which achieved significant results in cost reduction and efficiency enhancement. Fruitful progress has been witnessed in marketing operation; the market share of mining service continued to grow, which maintained its leading position in the industry continuously; overseas market made new achievements, and mine infrastructure and mining service projects in Zambia and Laos were undertaken by Sinoma Mining; sales volume and price of aggregate recorded an increase as well, being the new growth driver of Sinoma Mining.

FINANCIAL REVIEW

Revenue of the Group increased by 25.7% to RMB127,626.3 million in 2017 from RMB101,546.8 million during 2016. Profit attributable to equity holders increased by 207.7% to RMB3,224.8 million in 2017 from RMB1,048.1 million during 2016.

FINANCIAL REVIEW *(CONTINUED)*

Revenue

Our revenue increased by 25.7% to RMB127,626.3 million in 2017 from RMB101,546.8 million in 2016. The major reason was that the revenue of South Cement increased by RMB9,883.1 million, revenue of China United increased by RMB8,379.5 million, revenue of Southwest Cement increased by RMB3,325.7 million, revenue of BNBM increased by RMB2,872.4 million, revenue of China Triumph increased by RMB1,624.6 million, revenue of North Cement increased by RMB313.3 million, but were partially offset by the decrease in revenue of China Composites amounting to RMB340.3 million.

Cost of sales

Out cost of sales increased by 23.6% to RMB92,381.1 million in 2017 from RMB74,755.2 million during 2016. The major reason was that the cost of sales of South Cement increased by RMB6,630.7 million, the cost of sales of China United increased by RMB5,568.2 million, the cost of sales of Southwest Cement increased by RMB2,993.7 million, the cost of sales of BNBM increased by RMB1,632.8 million, the cost of sales of China Triumph increased by RMB1,441.3 million, but were partially offset by the decrease in the cost of sales of China Composites amounting to RMB237.9 million and the cost of sales of North Cement decreased by RMB87.8 million.

Other income

Other income of the Group decreased by 11.1% to RMB3,234.2 million in 2017 from RMB3,638.2 million during 2016. This was primarily due to the government grants decreased from RMB1,549.2 million in 2016 to RMB535.5 million in 2017, but was partially offset by the increase of discount on acquisition of interests in subsidiaries from RMB3.1 million in 2016 to RMB216.1 million in 2017, the increase of gain on disposal of subsidiaries from RMB0.0 million in 2016 to RMB144.0 million in 2017 and the increase of VAT refunds from RMB1,176.9 million in 2016 to RMB1,348.2 million in 2017.

Selling and distribution costs

Selling and distribution costs increased by 12.7% from RMB7,239.4 million in 2016 to RMB8,160.1 million in 2017. The major reasons for such increase were an increase of RMB858.9 million in transportation costs, but they were partially offset by a decrease of RMB103.7 million in packaging fee.

Administrative expenses

Administrative expenses increased by 13.8% to RMB12,072.3 million in 2017 from RMB10,612.4 million in 2016. This was primarily due to an increase of RMB319.0 million in disposal loss in fixed assets, an increase of RMB257.4 million in impairment on goodwill, an increase of RMB248.0 million in depreciation and amortisation of intangible assets, an increase of RMB176.5 million in labor costs, an increase of RMB171.8 million in agency fee, an increase of RMB75.4 million in repair fee, and an increase of RMB53.8 million in R&D fee.

FINANCIAL REVIEW *(CONTINUED)*

Finance costs

Finance costs increased by 4.8% to RMB9,735.4 million in 2017 from RMB9,293.5 million in 2016, primarily due to the increase in borrowing costs.

Share of profits of associates

Our share of profits of associates increased by 37.8% to RMB1,051.5 million in 2017 from RMB763.3 million in 2016, primarily due to the increase in profits of our associated companies in the cement business and the increase in profits of China Jushi, an associate of the Company.

Income tax expense

Income tax expense increased by 160.3% to RMB3,222.9 million in 2017 from RMB1,238.2 million in 2016, primarily due to the increase in profit before taxation.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 99.5% to RMB2,462.8 million in 2017 from RMB1,234.3 million in 2016, primarily due to the increase in operating profit in new materials segment, cement segment and engineering services segment of the Group.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 207.7% to RMB3,224.8 million in 2017 from RMB1,048.1 million in 2016. Net profit margin increased from 1.0% in 2016 to 2.5% in 2017.

CEMENT SEGMENT

China United

Revenue

Revenue from China United increased by 36.5% to RMB31,316.3 million in 2017 from RMB22,936.8 million in 2016, mainly attributable to the increase in selling price of cement products and commercial concrete, and the increase in sales volume of commercial concrete.

Cost of sales

Cost of sales from China United increased by 32.8% to RMB22,546.9 million in 2017 from RMB16,978.6 million in 2016, mainly attributable to the increase in sales volume of commercial concrete and increase in coal prices.

FINANCIAL REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

China United *(Continued)*

Gross profit and gross profit margin

Gross profit from China United increased 47.2% to RMB8,769.4 million in 2017 from RMB5,958.1 million in 2016. Gross profit margin of China United increased from 26.0% in 2016 to 28.0% in 2017. The increase in gross profit margin was mainly due to the increase in selling price of cement products and commercial concrete, which was partially offset by the increase in coal prices.

Operating profit

Operating profit from China United increased by 29.4% to RMB4,392.1 million in 2017 from RMB3,393.2 million in 2016. Operating profit margin from China United decreased from 14.8% in 2016 to 14.0% in 2017. The decrease was primarily due to the decrease in government grants, yet partially offset by the increase in gross profit margin and increase in VAT refund.

South Cement

Revenue

Revenue from South Cement increased by 30.3% to RMB42,505.0 million in 2017 from RMB32,621.9 million in 2016, mainly attributable to the increase in selling prices of cement products and commercial concrete and increase in sales volume of commercial concrete.

Cost of sales

Cost of sales from South Cement increased by 26.8% to RMB31,410.0 million in 2017 from RMB24,779.3 million in 2016, mainly attributable to the increase in sales volume of commercial concrete and increase in coal prices.

Gross profit and gross profit margin

Gross profit from South Cement increased by 41.5% to RMB11,095.0 million in 2017 from RMB7,842.6 million in 2016. Gross profit margin of South Cement increased from 24.0% in 2016 to 26.1% in 2017 was mainly due to the increase in selling prices of cement products and commercial concrete, which was partially offset by the increase in coal prices.

Operating profit

Operating profit from South Cement increased by 63.5% to RMB5,511.4 million in 2017 from RMB3,370.7 million in 2016. Operating profit margin for the segment increased from 10.3% in 2016 to 13.0% in 2017, which was primarily due to the increase of gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

North Cement

Revenue

Revenue from North Cement increased by 5.0% to RMB6,610.4 million in 2017 from RMB6,297.1 million in 2016, mainly attributable to the increase in selling prices in cement products and commercial concrete and increase in sales volume of commercial concrete, which was partially offset by the decrease in sales volume of cement products.

Cost of sales

Cost of sales from North Cement decreased by 2.0% to RMB4,331.7 million in 2017 from RMB4,419.5 million in 2016, mainly attributable to the decrease in sales volume of cement products, which was partially offset by the increase in coal prices and increase in sales volume of commercial concrete.

Gross profit and gross profit margin

Gross profit from North Cement increased by 21.4% to RMB2,278.7 million in 2017 from RMB1,877.6 million in 2016. Gross profit margin of North Cement increased from 29.8% in 2016 to 34.5% in 2017, mainly due to the increase in selling prices of cement products and commercial concrete, which was partially offset by the increase in coal prices.

Operating profit

Operating profit from North Cement increased to RMB235.5 million in 2017 from RMB-367.0 million in 2016. Operating profit margin for the segment increased from -5.8% in 2016 to 3.6% in 2017, primarily due to the increase in gross profit margin and the decrease in provision for bad debts.

Southwest Cement

Revenue

Revenue from Southwest Cement increased by 17.5% to RMB22,293.8 million in 2017 from RMB18,968.1 million in 2016, mainly attributable to the increase in selling prices and sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales from Southwest Cement increased by 22.5% to RMB16,309.6 million in 2017 from RMB13,315.9 million in 2016, mainly attributable to the increase in sales volume of cement products and commercial concrete and increase in coal prices.

FINANCIAL REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

Southwest Cement *(Continued)*

Gross profit and gross profit margin

Gross profit from Southwest Cement increased by 5.9% to RMB5,984.2 million in 2017 from RMB5,652.2 million in 2016. Gross profit margin of Southwest Cement decreased from 29.8% in 2016 to 26.8% in 2017 was mainly due to the increase in coal prices, which was partially offset by the increase in selling price of cement products and commercial concrete.

Operating profit

Operating profit from Southwest Cement increased by 10.0% to RMB3,509.4 million in 2017 from RMB3,190.3 million in 2016. Operating profit margin for the segment decreased from 16.8% in 2016 to 15.7% in 2017, primarily due to the decrease in gross profit margin, which was partially offset by the increase in VAT refunds.

NEW MATERIALS SEGMENT

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

BNBM

Revenue

Revenue from BNBM increased by 37.4% to RMB10,555.2 million in 2017 from RMB7,682.8 million in 2016. This was mainly attributable to the increase in selling price and sales volume of gypsum boards.

Cost of sales

Cost of sales from BNBM increased by 30.5% to RMB6,993.2 million in 2017 from RMB5,360.3 million in 2016. This was mainly attributable to the increase in sales volume of gypsum boards and increase in coal prices.

Gross profit and gross profit margin

Gross profit from BNBM increased by 53.4% to RMB3,562.0 million in 2017 from RMB2,322.5 million in 2016. Our gross profit margin in BNBM increased to 33.7% in 2017 from 30.2% in 2016, mainly due to the increase in the selling prices of gypsum boards, which was partially offset by the increase in coal prices.

FINANCIAL REVIEW *(CONTINUED)*

NEW MATERIALS SEGMENT *(Continued)*

BNBM *(Continued)*

Operating profit

Operating profit from BNBM increased by 60.6% to RMB2,798.8 million in 2017 from RMB1,742.4 million in 2016. Operating profit margin from this segment increased to 26.5% in 2017 from 22.7% in 2016, mainly to the increase in gross profit margin.

CHINA COMPOSITES

Revenue

Our revenue from China Composites decreased by 13.5% to RMB2,172.9 million in 2017 from RMB2,513.2 million in 2016, mainly attributable to the decrease in sales volume of rotor blades.

Cost of sales

Our cost of sales from China Composites decreased by 12.5% to RMB1,668.2 million in 2017 from RMB1,906.2 million in 2016, mainly attributable to the decrease in sales volume of rotor blades.

Gross profit and gross profit margin

Our gross profit from China Composites decreased 16.9% to RMB504.6 million in 2017 from RMB607.0 million in 2016. Our gross profit margin from China Composites decreased to 23.2% in 2017 from 24.2% in 2016, mainly attributable to the decrease in gross profit margin of rotor blades business.

Operating profit

Operating profit from China Composites decreased by 22.2% to RMB269.3 million in 2017 from RMB346.0 million in 2016. The operating profit margin for the segment decreased to 12.4% in 2017 from 13.8% in 2016, primarily due to the decrease in the gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

ENGINEERING SERVICES SEGMENT

CHINA TRIUMPH

Revenue

Our revenue from China Triumph increased by 20.1% to RMB9,721.6 million in 2017 from RMB8,097.0 million in 2016, mainly because of an increase in the completed construction services in the period.

Cost of sales

Our cost of sales from China Triumph increased by 24.1% to RMB7,426.4 million in 2017 from RMB5,985.1 million in 2016, mainly because of an increase in the completed construction services in the period.

Gross profit and gross profit margin

Our gross profit from China Triumph increased by 8.7% to RMB2,295.2 million in 2017 from RMB2,111.8 million in 2016. Our gross profit margin from the engineering services segment decreased to 23.6% in 2017 from 26.1% in 2016, primarily due to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit from China Triumph increased by 47.9% to RMB1,308.3 million in 2017 from RMB884.6 million in 2016, while its operating profit margin increased to 13.5% in 2017 from 10.9% in 2016, mainly because of an increase in revenue from disposal of subsidiaries and decrease in exchange loss, which were partially offset by the decrease in gross profit margin.

Liquidity and financial resources

As at 31 December 2017, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB169,628.9 million in total.

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

	As at 31 December	
	2017	2016
	(RMB in millions)	
Bank loans	**174,909.3**	183,615.5
Borrowing from other financial institutions	**1,519.9**	1,679.3
Total	**176,429.2**	185,294.8

FINANCIAL REVIEW *(CONTINUED)*

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

	As at 31 December	
	2017	2016
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**130,485.1**	139,802.4
Between one and two years	**22,461.7**	13,751.9
Between two and three years	**9,317.1**	24,814.5
Between three and five years (inclusive of both years)	**6,784.3**	4,383.8
Over five years	**7,381.0**	2,542.2
Total	**176,429.2**	185,294.8

As at 31 December 2017, bank loans in the amount of RMB2,235.8 million were secured by assets of the Group with a total carrying value of RMB20,172.5 million.

As at 31 December 2017 and 31 December 2016, we had a debt-to-asset ratio of 50.8% and 54.4%, respectively. The Group adopted prudent credit policies so as to reduce credit risks to the utmost extent.

Exchange Risks

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

Contingent Liabilities

Certain contingent liabilities were not incurred resulting from the Group's provision of guarantee to banks in respect of bank credits used by an independent third party.

Future Plans for Material Investments or Capital Assets

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

FINANCIAL REVIEW *(CONTINUED)*

Capital Commitments

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

	As at 31 December	
	2017	2016
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**0.5**	1.0

Capital Expenditures

The following table sets out the capital expenditures of the Group for the year ended 31 December 2017 by segment:

	For the year ended 31 December 2017	
	(RMB in millions)	*% of total*
Cement	6,791.1	63.7
Including: China United	2,133.4	20.0
South Cement	2,406.5	22.6
North Cement	368.1	3.5
Southwest Cement	1,875.6	17.6
Commercial concrete	674.5	6.3
Including: China United	297.7	2.8
South Cement	354.5	3.3
North Cement	12.3	0.1
Southwest Cement	8.1	0.1
New materials	1,804.7	16.9
Engineering services	968.1	9.1
Others	423.3	4.0
Total	10,667.7	100.0

CASH FLOW FROM OPERATING ACTIVITIES

For the year 2017, our net cash inflow generated from operating activities was RMB22,270.1 million. Such net cash inflow was primarily due to RMB27,698.7 million of cash flow from operating activities before the change in working capital, which was offset by a RMB3,622.6 million increase in trade receivables and other receivables.

CASH FLOW FROM INVESTING ACTIVITIES

For the year 2017, our net cash outflow from investing activities was RMB6,721.6 million, which was primarily due to the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB8,264.0 million in total, which was partially offset by a RMB3,522.3 million of repaid deposits.

CASH FLOW FROM FINANCING ACTIVITIES

For the year 2017, we had a net cash outflow from financing activities amounting to RMB16,471.0 million, primarily attributable to a total of RMB196,535.3 million in repayment of borrowings, which was partially offset by RMB187,734.2 million for new borrowings.

OUTLOOK FOR 2018

2018 is the key year for inheriting the past to implement the "Thirteenth Five-year Plan" and the key year for the restructuring and integration of CNBM to move forward in n breadth and depth. Report on the Work of the Government mentions that China's economy is now in a pivotal period in the transformation of its growth model, its structural improvement, and its shift to new growth drivers. This year, we will continue our innovation, optimize macro regulation, and maintain the continuity and consistency of macro policies to ensure the same proactive direction of our fiscal policy so that substantive progress in supply-side structural reform could be witnessed. Upon the merger of the two listed companies, the new company is expected to further consolidate the position of the world's largest cement producer and cement technology integrated service provider. The new company is expected to become a leading enterprise in the field of new materials and have the world's leading cement production design and engineering general contracting capacity, opening up a new era and a new journey for development.

The Group will spare no efforts to follow the working guideline of "maintaining steady growth, promoting reforms, preventing risks and enhancing Party building" and management principle of "adhere to priority of efficiency and efficiency, adhere to the main highlight of specialization, adhere to the meticulosity, refinement and solidity, insist on the operating concept of "PCP", adhere to the integration and optimization, adhere to the digitization", follow the management measures of "price stabilisation, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment" to accelerate the restructuring and integration, spare no efforts on operation and management, integration and optimization, reformation and innovation, committed to building a world-class integrated building materials enterprises. We mainly put our efforts on the following work:

Firstly, the Company will carry out synergistic effect to promote integration. The Company will start from various dimensions such as management integration, market synergy, centralized procurement, streamlining and optimizing and optimization of capital structure to accelerate the corporate governance and integration and optimization of the Company, promote operational improvements and the release of synergies to form a development trend of focusing on three markets, namely cement, new materials and engineering services.

OUTLOOK FOR 2018 *(CONTINUED)*

Secondly, the Company will continue to promote management improvement. The Company will proactively implement "Eight Working Methods" and "increasing, saving and reducing", establish "Six-star Enterprise", thus consolidating basic management. The Company will adhere to the principle of "cost-effectiveness" and continue to push forward the cost reduction through lean manufacturing, delicacy management, centralized procurement and technological upgrading. Strictly control the scale of "Two Funds", increase the efforts in receivables collection and inventory control to reduce capital occupation, strengthen the centralized management of funds to improve the efficiency of capital utilization, continue to further promote the work of "Four Reduction 2.0" to promote the integration and optimization of organization, continue to reduce leverage and liabilities, reduce the liabilities in various approach, including increase cash flow from operating activities, control capital expenditures, and actively develop industrial funds and other financial integration businesses.

Thirdly, the Company will accelerate the transformation and upgrading and innovation and development, and strengthen the transformation and upgrading in the traditional areas, continue to promote the "Four Modernisations" of cement, accelerate the development of aggregate business and the integration of mine resources, accelerate the development of new materials business, further consolidate the market position, technical capability and profitability of the new materials business and lead the transformation of the industry to mid-to-high end. The Company will also strengthen and improve engineering services business, carry out synergistic effect in the field of international engineering, achieve new incremental in operation and management and investment, grasping the opportunity brought by "One Belt, One Road", integrate overseas resources, fully leverage the internal synergies to accelerate global layout and moving towards a new era of international capacity cooperation, and further promote the work of "Dual Innovations" to enhance the quality and efficiency of scientific and technological achievements.

During the year from 1 January 2017 to 31 December 2017, the Company was in full compliance with provisions of the Corporate Governance Code (the "Code") as set out in the Appendix 14 to the Listing Rules. Keeping itself well informed of changes and development of the rules and taking account of current operations, the Company improved internal systems and enhanced the internal risk management and control system for the purpose of business standardization and process streamlining. Guided by the Listing Rules, the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Rules of Procedure for the Board Meeting, the Rules of Procedure for the Supervisory Committee, the general meeting, the Board of Directors, the Supervisory Committee and the management established clear accountability and shared responsibility, with checks and balances among each other, which safeguarded an efficient operation and protected the long-term benefit of investors.

I. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a set of code no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Company confirms that each of the Directors has complied with the standards of the securities transactions by Directors as required by the Model Code and the Code for Securities Transactions of China National Building Material Company Limited.

II. THE BOARD

During 2017, the Board of the Company held 7 plenary Board meetings to consider and determine various matters including general corporate strategy, major investment and financing activities and personnel appointments and removals. All Directors attended the Board meetings in person or by proxy. The management is responsible for the specific implementation of resolutions of the Board and management of daily operations.

II. THE BOARD *(CONTINUED)*

The members of the Board and the attendance of the Directors at Board meetings and Shareholders' meetings of the Company during 2017 are as follows:

	Meetings attended/held					
Name	**The Board**	**The Strategic Steering Committee**	**The Nomination Committee**	**The Remuneration and Performance Appraisal Committee**	**The Audit Committee**	**Shareholders' meetings**
Executive Directors						
Song Zhiping *(Chairman of the Board)*	7/7	1/1	2/2	1/1	–	4/4
Cao Jianglin	7/7	1/1	–	–	–	4/4
Peng Shou	7/7	–	–	–	–	3/4
Cui Xingtai	7/7	–	–	–	–	4/4
Chang Zhangli	7/7	–	–	–	–	4/4
Non-executive Directors						
Guo Chaomin	7/7	–	–	–	–	4/4
Chen Yongxin	7/7	–	–	–	–	4/4
Tao Zheng	7/7	–	–	–	–	4/4
Independent Non-executive Directors						
Sun Yanjun	7/7	–	2/2	1/1	–	4/4
Liu Jianwen	7/7	–	2/2	–	2/2	4/4
Zhou Fangsheng	7/7	1/1	–	1/1	–	4/4
Qian Fengsheng	7/7	–	–	–	2/2	3/4
Xia Xue	7/7	–	–	–	2/2	4/4

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

III. FUNCTIONS AND OPERATION OF THE BOARD

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

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

The Directors were elected and the board meetings were held in compliance with the procedures provided for in the Company's Articles of Association, and Rules of Procedure for the Board meeting. The Company ensures that all Directors are informed of operations in a timely manner, communicate and discuss with each other about their opinions, make reasonable decisions with prudence and promote the positive, active and healthy development of the Company. The Board keeps close contact with the management and authorizes it to implement specific matters and report to the Board, to ensure that all matters and problems related to the business and operation of the Group are dealt timely. The management under the leading of the president, is responsible for specific matters related to daily operation of the Company, and makes and implements the decision of operation, and conduct periodic reviews and feedbacks, to ensure the relevant arrangements of operation and management meet the demand of the Company.

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

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

IV. DIRECTOR'S CONTINUOUS TRAINING AND DEVELOPMENT

In compliance with the Listing Rules and the Code and to ensure that the Directors have comprehensive and necessary expertise and skills to make contribution to the Board, the Company has arranged suitable training for the continuous professional development of the Directors such as providing them with information materials and special reports.

The Company contacted numerous research institutions including Morgan Stanley, CICC, UBS and Geography Cement, in the beginning of 2017, to particularly prepare the reporting materials for Directors in relation to Review for 2016 and Outlook for 2017 in Chinese Macro-economy and the Cement Industry, the contents of which cover information of global economy, policy situation, market analysis of the cement industry, trends of capital markets and status of building materials industry and outlook for 2017, detailed and purposeful, making Directors comprehensively update their information and expand their fields of knowledge. In addition, the Company provided twice per month to the Directors with Capital Market Research prepared by the Company, Biweekly Report on Issuance and Restructuring, Biweekly Report on Regulatory Punishment and Case Sharing made by Shanghai Shalldo Financial Service Co., Ltd., a perennial compliance advisor of the Company, to provide them feedbacks on the latest macro-economy and capital markets, and ensure that they were informed of overall information about the operational environment of the Company. Based on the real-time understanding and grasping of the macroeconomic and industry information, the company sends Summary of Macro Policy and Cement Industry to the directors at the end of each month. In addition, the Company compiled and translated 59 research reports issued by 21 investment banks. In 2017, it submitted nine issues of Analyst Report Summary to the directors. In May 2017, the Company offered trainings about standardised operations of listed companies in collaboration with the Parent, which covered analyses about the violation of laws and regulations by listed companies and risk prevention, provisions of the Listing Rules regarding connected transactions and inside information, and analysis of the construction material sector. Incorporating both theories and practices, these trainings helped the Directors understand relevant provisions profoundly to guarantee that their decisions would be in line with laws and regulations, and enabled the Directors to have a better picture about future development of the construction material sector. From 29 June to 1 July 2017, the Company organized directors to make field research on Taishan China United and Taishan Gypsum to allow the directors to have more in-depth and comprehensive understanding of grassroots enterprises. The continuous and effective trainings helped enhance the Directors' understanding of their duties so that they can make appropriate and informed decisions on the Company's management based on more accurate understanding of the relevant laws and regulations and the industry's development. All Directors (including Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Guo Chaomin, Mr. Chen Yongxin, Mr.Tao Zheng, Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue) of the Company have attended relevant trainings during the Reporting Period, and have been provided with the above-mentioned training materials through which their knowledge and skills were further developed and refreshed leading to more constructive and professional opinions from the Directors and therefore ensuring that their contribution to the Board remains informed and relevant.

V. CHAIRMAN AND THE PRESIDENT

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

VI. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

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

VII. SPECIAL COMMITTEES UNDER THE BOARD

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

The Strategic Steering Committee

Members

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

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

The Strategic Steering Committee *(continued)*

Duties and Summary of the Work

The Strategic Steering Committee of the Company is mainly responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organization development proposals, major investment and financing plans and other material matters that may affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investment plans under the authorization of the Board; and making recommendations to the Board. As for details of meetings convened and attended by the Strategic Steering Committee in 2017, please refer to the table of attendance of the Directors at Board meetings during 2017 at page 48.

Set out below is a summary of work of the Strategic Steering Committee of the Company during 2017:

The first meeting of the fourth session of the Strategic Steering Committee of the Board considered and approved the proposals in relation to the operation of the Company for the year 2016 and work arrangements for the year 2017.

The Nomination Committee

Members

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

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

The Nomination Committee *(continued)*

Duties and Summary of the Work

The Nomination Committee of the Company is mainly responsible for formulating procedures and standards for electing the Directors of the Company, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; formulating standards for the directors or supervisors designated to the wholly-owned subsidiaries of the Company; formulating standards for the directors or supervisors designated or recommended to the controlled subsidiaries of the Company and conducting preliminary review on the qualifications and conditions of the Directors, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; reviewing the qualifications and conditions of the directors or supervisors designated to the wholly-owned subsidiaries of the Company or the directors or supervisors designated or recommended to the controlled subsidiaries of the Company based on the nominations of the chairman of the Board and assisting the chairman of the Board on submitting relevant matters to the Board. After the Stock Exchange's adoption of the code provision in relation to the board diversity policy which became effective on 1 September 2013, the Company has formulated its board diversity policy after reviewing the new requirements, and the policy was duly adopted by the Nomination Committee on 29 November 2013. The Company is committed to improving the corporate governance of the Company. The Company insists on hiring employees based on their competence. In selecting appropriate members to the Board, the Company considers factors such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age based on objective standards. It also takes into account the Company's business model and specific needs from time to time. Pursuant to that policy, current members of the Board possess different professional background. Each of them has accumulated rich experience in areas such as building materials, business management, securities regulation, capital operation, accounting rules and corporate finance providing diversified perspectives for the strategic decisions of the Board and professional opinions for formulating operation policies of the Company. As for details of meetings convened and attended by the Nomination Committee in 2017, please refer to the table of attendance of the Directors at Board meetings during 2017 at page 48.

Set out below is a summary of work of the Nomination Committee of the Company during 2017:

The first meeting of the fourth session of the Nomination Committee of the Board considered and approved the proposal in relation to the Board structure and the independence of the independent non-executive Directors. The second meeting of the fourth session of the Nomination Committee of the Board considered and approved the proposal in relation to changes of directors and supervisors of subsidiaries and companies invested.

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

The Remuneration and Performance Appraisal Committee

Members

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

Duties and Summary of the Work

The Remuneration and Performance Appraisal Committee of the Company is responsible for recommending and reviewing the specific remuneration and the performance of the Directors and the senior management based on the remuneration and performance management policies and framework pertaining to the Directors and the senior management which are formulated by the Board. The Remuneration and Performance Appraisal Committee makes recommendations to the Board in respect of the remuneration of the Directors and the senior management members. Remuneration of the Directors will be submitted for the consideration and approval of the Board. After the approval of the Board, the remuneration of the Directors will then be submitted for approval at the general meeting. The remuneration of the senior management members is considered and approved by the Board. The annual remuneration of the senior management members comprises four components including basic salary, performance-based salary, special rewards and share appreciation rights. The basic salary is determined by taking into consideration their positions, responsibility, competence and market rates. The performance-based salary is determined on the basis of assessment of economic responsibility. The special rewards are granted to those who have made prominent contributions to the Company's results or in certain material aspects. The share appreciation rights are granted under the Company's Share Appreciation Rights Proposal. As for details of meetings convened and attended by the Remuneration and Performance Appraisal Committee in 2017, please refer to the table of attendance of the Directors at Board meetings during 2017 at page 48.

Set out below is a summary of work of the Remuneration and Performance Appraisal Committee of the Company during 2017:

The first meeting of the fourth session of the Remuneration and Performance Appraisal Committee of the Board considered and approved two proposals in relation to the performance-based remuneration for senior management members of the Company for 2016 and the special awards for senior management members for 2016.

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

The Remuneration and Performance Appraisal Committee *(continued)*

Duties and Summary of the Work *(continued)*

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

The Audit Committee

Members

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

Duties and Summary of the Work

The specific duties of the Audit Committee include making recommendations in relation to the appointment of external auditors by the Board and supervising their work; supervising the Company's financial reporting procedures and reviewing the financial control system of the Company; supervising the Company's internal control matters and reviewing its results; reviewing the operating, financial and accounting policies and practice of the Company; formulating and reviewing the corporate governance policy and practice of the Company and reviewing the Company's compliance with the Code and its disclosures in the Corporate Governance Report; reviewing and supervising the Company and its Director's and senior management's compliance with the requirements of laws and regulations; reviewing and supervising the Directors' and senior management's professional ethics, trainings and continuous professional development. As for details of meetings convened and attended by the Audit Committee in 2017, please refer to the table of attendance of the Directors at Board meetings during 2017 at page 48. The recommendations of the Audit Committee have been presented to the Board for review and action.

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

The Audit Committee *(continued)*

Duties and Summary of the Work *(continued)*

Set out below is a summary of work of the Audit Committee during 2017:

During the Reporting Period, the Audit Committee has operated in accordance with the Code. The Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, among others, the issuance of interim and annual results and the review of the financial control system, the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2016 and the interim financial report for 2017. The committee further urged the Company to integrate and optimize its internal control systems in accordance with the key audit work of the Company to ensure that it is able to control the risk of operation management and business development. It performed the duties of corporate governance pursuant to the Terms of Reference of the Audit Committee. The committee provided suggestions to the Board on the improvement of the Company's policies and practices as well as the continuous development of the senior management. As at the date of the report, the Audit Committee has reviewed the Group's financial statements and results for the year ended 31 December 2017.

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

VIII. NOMINATION OF DIRECTORS

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

IX. AUDITORS' REMUNERATION

At the third meeting of the fourth session of the Board of the Company convened on 24 March 2017, the Directors resolved to propose to the general meeting the appointment of Baker Tilly HK and Baker Tilly China as the overseas and domestic auditors of the Company for 2017 respectively. The Board was authorized by the annual general meeting convened on 26 May 2017 to deal with the appointment of overseas and domestic auditors and determine their remunerations. During the year, an aggregate of RMB15.67 million was paid by the Company to the auditors for their professional audit services.

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

X. COMPANY SECRETARY

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

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

XI. SHAREHOLDERS' MEETINGS

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

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

At the Annual General Meeting of 2016 held on 26 May 2017, six ordinary resolutions and two special resolutions in relation to, among other things, the granting of a mandate to the Board to issue shares of the Company and in relation to the issue of debt financing instruments were considered and approved. The first Extraordinary General Meeting of 2017 convened on 6 December 2017 considered and approved four special resolutions in relation to the Merger with Sinoma, the grant of special mandate to the Board for the issuance of H Shares and Unlisted Shares, the authorization to the Board and its authorized persons to handle all matters relating to the Merger, and amendments to the Articles of Association and the Rules of Procedures for the Shareholders' General Meeting, and one ordinary resolution in relation to the appointment of Ms. Xu Weibing as supervisor and the determination of her remuneration. The first Domestic Shareholders' Class Meeting of 2017 convened on the same day considered and approved two special resolutions in relation to the Merger with Sinoma and the grant of special mandate to the Board for the issuance of Unlisted Shares. The first H Shareholders' Class Meeting of 2017 convened on the same day considered and approved two special resolutions in relation to the Merger with Sinoma and the grant of special mandate to the Board for the issuance of H Shares.

According to the Articles of Association, the Directors may attend the general meetings of the Company and are entitled to sign on the minutes containing the resolution(s) relating to the issue(s) discussed in the meeting(s) they attended. In 2017, the Company held four Shareholders' meetings and please refer to the table of attendance of the Directors at Board meetings during 2017 at page 48 for details of attendance of the Directors.

XII. SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

XIV. INVESTOR RELATIONS

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

There has not been any significant change in the Company's constitutional documents during 2017, but amendments to the Articles and Association and the Rules of Procedure for the Shareholders' General Meeting (appendix to the Articles of Association) have been approved as set out below.

On 8 September 2017, the fifth extraordinary meeting of the fourth session of the Board considered and approved the resolution in relation to the Merger with Sinoma, due to which, the meeting considered and approved the resolution in relation to amendments to the Articles and Association and the Rules of Procedure for the Shareholders' General Meeting (appendix to the Articles of Association). Such resolution will come into effect upon the completion of the Merger. On 6 December 2017, the Company held the first Extraordinary General Meeting of 2017, the first H Shareholders' Class Meeting of 2017 and the first Domestic Shareholders' Class Meeting of 2017, which considered and approved the resolutions above, and explicitly stated that the resolution in relation to amendments to the Articles and Association and the Rules of Procedures for the Shareholders' General Meeting would become effective upon the completion of the Merger. Details of amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting are set out in the joint announcement dated 8 September 2017, the circular dated 20 October 2017, and the announcement of voting results dated 6 December 2017. As at the date of this report, the resolution in relation to amendments to the Articles and Association and the Rules of Procedure for the Shareholders' General Meeting has not become effective.

XIV. INVESTOR RELATIONS *(CONTINUED)*

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

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

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

Environmental and Social Report

THE PREFACE

This Chapter is a summary of the Environmental, Social and Governance Report (ESG report). It outlines the Group's core strategies and achievements for sustainable development in 2017. For the full version of ESG report, please refer to the *China National Building Material Company Limited 2017 Environmental, Social and Governance Report* which will be published separately in June 2018.

In 2017, the Group focused on 3 major aspects of energy saving, pollution reduction and environmental protection, upheld to the core value of "Green development and to realize green transformation", and made effort to make greater contribution to environmental management. Through technological innovation and cooperating with the *"Thirteenth Five-year" Plan for Ecological Environment Protection, Opinions on Further Strengthening the Treatment of MSW Incineration, "Thirteenth Five-year" Plan for Renewable Energy Development, Water Pollution Prevention and Control Law (draft revision)* and various environmental protection policies, the Group adhere to the latest trend of policy and seized opportunities for development.

In 2017, the Group implemented the Environmental, Safety and Health Management System. With the guidance of related information disclosure, the Group established an integrated system including pre-event identification and assessment, in-process inspection and review, and post-event evaluation to enhance daily management and to control risks from the source which helped to strengthen the Group's sustainable development capabilities and step up to become the first-class comprehensive building material company in the world.

The Group unswervingly follows the path of green and sustainable development, and has been awarded several honorary titles including "2017 China Financial Market Award – the Best Sustainable Development Performance", "2017 Outstanding Issuer of Corporate Bonds", "IFW Golden Bauhinia Award– the Best Listed Company", "Pioneering Company in Climate Concentration and Ecological Civilization", "Best Investor Relations", "100 Energy Saving and Emission Reduction Demonstration Enterprise in Construction Material Industry", "Advanced Group in China Cement Industry for Energy Conservation and Emission Reduction", "China Green-Benefit Enterprise Award: Best Model" in 2017 World Economic and Environmental Conference etc.

CONCEPT OF ENVIRONMENTAL PROTECTION

To proactively address the issues of climate change and excess capacity and to uphold green, low-carbon and sustainable development, the Group vigorously implements the "Responsibility for Blue Sky" action program that focusing on energy saving, emissions reduction, ecological protection, recycling economy and other key areas to promote energy saving and transformation and upgrading of works. The Group advocates recycling economy, using industrial waste and construction & demolition debris as raw materials in the production process, and consumes more than 84.39 million tonnes of industrial waste annually. For example, the Group positively responds to the call of the national and local governments to develop the cement kiln coordinated disposal projects. These projects achieve the harmless treatment of waste and move towards the green development of building materials. Moreover, the Group is committed to reducing wastewater discharge and gas emissions. Through its own efforts, the Group actively leads the industry to save energy, limit production and self-disciplined reduce emissions. With regard to products application, the Group has also paid attention to the entire life cycle performance of the products to provide building materials characteristic of reliable quality, comfortable, healthy and green.

ALL-WIN HARMONY

The Group serves customers with high quality products and grows together with suppliers and partners to establish a value creation platform for shareholders. In addition, the Group upholds the concept of "industry interest overweighs corporate interest" and dedicates to promote industry restructuring transformation and upgrading, in order to achieve mutual development and win-win situation with the industry and peers in the same industrial chain. In the aspect of supplier management, the Group regularly communicates with suppliers on major issues of safety and environmental. With regard to supplier selection, the Group will give priority to suppliers with reliable quality, good reputation, environmentally friendly and scientific management.

EMPLOYEE CARE

The Group regards human resources as the most valuable asset. As of 31 December 2017, the Group had a total of 100,218 employees. The Group respects the differences of employees and creates a safe and harmonious working environment. Moreover, through the Human Resources Policy, employee benefits, vocational training and related activities to condense employees' compassion and sense of belonging. And the Group also respects and upholds the international covenants on human rights and *Labor Law of the people's Republic of China*, to enforce the phenomenon of forced labour and employment of child labourers, and also opposes any form of discrimination.

The Group regards the safety and health of employees as the primary consideration. On the basis of the in-depth studying and analyzing the features of building materials production, and revising the *Administrative Measures for Occupational Health Supervision in the Workplace*, the Group has perfected the occupational health protection and management, effectively prevented, controlled and eliminated occupational hazards. In addition, the Group also attaches great importance to the safety and occupational health management of suppliers and partners, and includes terms of safety and occupational health in service contracts, and cooperates with suppliers and partners in carrying out routine safety inspections, trainings, emergency drills and so on.

SUNSHINE WELFARE

The Group established emergency response mechanisms in order to provide rapid disaster relief, civil defense and other public safety services. And also providing support for disaster affected areas, poverty-stricken areas, science, education, culture, and hygiene causes, welfare projects and environmental protection causes in kind and capital, thereby supporting the development of society. In 2017, the Group's total donation amounted to RMB15.4375 million.

In addition, the Group encourages employees to participate in social welfare activities. And the Group also provides guarantee and support for voluntary activities in such aspects as organizational structure, work mechanism, scheduling, financial support, communication and liaison. Under the voluntary service system with the Communist Youth League at its core, the Group and its subsidiaries have established several volunteer activity groups which carry out a variety of voluntary activities, demonstrating the enthusiasm of the participants and spreading happiness.

Directors' Report

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2017 to its shareholders.

PRINCIPAL BUSINESS

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

RESULTS

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

DIVIDENDS

As all effectiveness conditions and implementation conditions to the Company's merger by absorption of Sinoma by way of share exchange have been fulfilled, and the share exchange is expected to be completed before the convening date of annual general meeting (13 June 2018), at which time the Sinoma shareholders will have their Sinoma shares exchanged into the shares of the Company accordingly and the Sinoma shareholders who as at the record date hold shares of the Company will be entitled to the final dividend distribution of the Company. The Board hereby recommends, conditional on the completion of the share exchange before the convening date of the annual general meeting (13 June 2018), the distribution of a final dividend of RMB843,477,066.20 in total (pre-tax) for the period from 1 January 2017 to 31 December 2017 (2016: RMB232,158,129.27 in total (pre-tax)) for Shareholders whose names appear on the Company's register of members on Monday, 25 June 2018, representing RMB0.100 per share (pre-tax) (2016: RMB0.043 per share (pre-tax)) based on the issued shares of the Company of 8,434,770,662 shares upon completion of the share exchange. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 25 June 2018. If the Company expects that the share exchange will not be completed as scheduled due to uncontrollable factors, the Company will propose new final dividend distribution plan in due course, and submit such plan to the Board of the Company and the annual general meeting for consideration and approval.

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on Domestic Shares will be paid in Renminbi and dividends on H Shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends by the annual general meeting.

The proposed final dividend is subject to approval at the annual general meeting to be held on Wednesday, 13 June 2018.

DIVIDENDS *(CONTINUED)*

In accordance with tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the period from 1 January 2017 to 31 December 2017 (the "2017 Final Dividend") to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on Monday, 25 June 2018.

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

As such, when distributing the 2017 Final Dividend to the domestic corporate investors as the holders of H Shares of the Company whose names appear on the register of shareholders of the Company on Monday, 25 June 2018 provided by China Securities Depository and Clearing Corporation Limited ("China Clearing"), the Company shall not withhold tax on dividend for the domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

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

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

DIVIDENDS *(CONTINUED)*

As such, when distributing the 2017 Final Dividend to the domestic individual investors (including domestic securities investment funds) as the holders of H Shares of the Company whose names appear on the register of shareholders of the Company on Monday, 25 June 2018 provided by China Clearing, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H share register of members of the Company on Monday, 25 June 2018 (the "Registered Address"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

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

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the "Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties" (Guo Shui Fa [2015] No. 60) (《非居民納稅人享受稅收協定待遇管理辦法》國稅發[2015]60號) (the "Measures on Tax Treaties") on or before Tuesday, 26 June 2018. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

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

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

DIVIDENDS *(CONTINUED)*

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Tuesday, 26 June 2018. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Measures on Tax Treaties if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are eligible to attend and vote at the annual general meeting, the register of members of the Company will be closed from Sunday, 13 May 2018 to Wednesday, 13 June 2018 (both days inclusive), during such period no transfer of shares in the Company will be effected. To be eligible to attend and vote at the forthcoming annual general meeting, holders of H Shares of the Company whose transfers have not been registered shall lodge all the share transfer documents and relevant share certificates with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 11 May 2018 for share registration.

Shareholders whose names appear on the register of members on Monday, 25 June 2018 will be eligible for the final dividend. The register of members of the Company will be closed from Wednesday, 20 June 2018 to Monday, 25 June 2018 (both days inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H Shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 19 June 2018 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Friday, 29 June 2018 to the shareholders whose names appear on the register of members of the Company on Monday, 25 June 2018.

BUSINESS REVIEW

Under the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, the Company is required to include a business review in the directors' report. According to the Schedule 5 to the Company Ordinance, a business review shall cover certain aspects, the details of which are as follows and where any cross-reference is made to another section of this annual report, all such relevant cross-referenced parts form part of this directors' report:

1. A fair review of the company's business

   Pages 25 to 46 of this report.

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

   Pages 27 to 31 and pages 35 to 44 of this report.

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

   Page 99 to 101 of this report.

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

   Page 45 to 46 of this report.

5. An analysis using financial key performance indicators

   Pages 35 to 44 of this report.

6. The company's environmental policies and performance

   Sticking to the national policy of "pollution prevention and environmental protection", the Company put effort into environmental protection while promoting the development of construction material industry. In accordance with the Environmental Protection Law of the People's Republic of China and with reference to conditions of the construction material industry, the Company developed management rules on environmental protection, energy conservation & emission reduction, and clean production, all of which were applicable to the Group. In the course of material acquisition and construction of production facilities, the Group aligned planning, execution and development with environmental protection objectives, therefore improving the production and living environment. With regard to production and operation process, the Group explored synergies between energy conservation & emission reduction and cost reduction & efficiency improvement to build a resource-effective and environment-friendly enterprise. Strictly implementing regulations related to environmental protection and adhering to the path of sustainable development, the Group committed itself to the realization of economic returns, social benefits and environmental benefits.

BUSINESS REVIEW *(CONTINUED)*

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

In 2017, the Company has been in compliance with the Company Law of the People's Republic of China, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), thereby assuring the protection of the rights and interests of all parties, such that the steady development of the Company can be achieved by operating in compliance with laws and regulations.

The Company has actively promoted legal education at the Group, issued documents in respect of the latest laws and regulations to its subsidiaries on a regular basis, and made arrangement for the staff to attend legal trainings organized by the State-owned Assets Supervision and Administration Commission of the State of Council, thereby raising the legal awareness of all the employees in a holistic manner and in turn ensuring the strict compliance of the Group with regulations on fields such as corporate governance and environmental protection.

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

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

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB131,511.65 million. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2017, net carrying amount of fixed assets amounting to RMB9,163.59 million, monetary capital amounting to RMB8,196.06 million and net carrying amount of available-for-sale financial assets, accounts receivable and other assets amounting to RMB2,818.89 million have been pledged, being the condition as the grant of financing by banks. As at 31 December 2017, the pledged assets of the Group amount to RMB20,172.54 million in total.

SUBSIDIARIES AND ASSOCIATES

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

CAPITALIZED INTERESTS

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

Share Capital Structure (as at 31 December 2017)

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

Share Capital Structure (after merger with Sinoma)

	Number of shares	Percentage of issued share capital *(%)*
Unlisted Shares		
Domestic Shares	4,454,898,633	52.81
Unlisted Foreign Shares	111,174,235	1.32
H Shares	3,868,697,794	45.87
Total share capital	8,434,770,662	100

CAPITALIZED INTERESTS *(CONTINUED)*

Substantial Shareholders (as at 31 December 2017)

Name	Class of shares	Number of shares held	Percentage of total share capital *(%)*
Parent	Domestic Shares	504,991,734	9.35
	H Shares	8,536,000	0.16
BNBMG	Domestic Shares	1,485,566,956	27.52
CNBM Trading	Domestic Shares	227,719,530	4.22
Cinda	Domestic Shares	138,432,308	2.56
Chengtong Financial	Domestic shares	80,985,394	1.50
Guoxin Investment	Domestic shares	80,985,394	1.50
Building Materials Academy	Domestic Shares	1,173,050	0.02
Public Investors	H Shares	2,870,635,896	53.17
Total share capital		5,399,026,262	100

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

DISCLOSURE OF INTEREST

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

So far as was known to Directors or Supervisors of the Company, as at 31 December 2017, the Shareholders (other than the directors or supervisors of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital *(%)*[1]	Percentage of total share capital *(%)*[1]
Parent	Domestic Shares	Long	Beneficial owner	504,991,734			
	Domestic Shares	Long	Interest of controlled corporations	1,714,459,536			
				2,219,451,270	2,3	88.08	41.11
	H Shares	Long	Beneficial owner	8,536,000		0.30	0.16
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956	2	58.95	27.52
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	9.04	4.22
Cinda	Domestic Shares	Long	Beneficial owner	138,432,308	3	5.49	2.56
BlackRock, Inc.	H Shares	Long	Interest of controlled corporations	252,647,788	4	8.77	4.67
	H Shares	Short	Interest of controlled corporations	1,460,000	4	0.05	0.02
Morgan Stanley	H Shares	Long	Interest of controlled corporations	240,169,046	5	8.34	4.44
	H Shares	Short	Interest of controlled corporations	233,208,349	5	8.09	4.31

Notes:

1. As at 31 December 2017, the Company's total issued share capital comprises 5,399,026,262 shares, including 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

2. Of these 2,219,451,270 shares, 504,991,734 shares are directly held by the Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: (Continued)

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

4. BlackRock, Inc. was deemed to hold interests in a total of 252,647,788 H Shares (long position) and 1,460,000 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

    4.1 BlackRock Investment Management, LLC held 1,094,536 H Shares (long position) in the Company. BlackRock Investment Management, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..

    4.2 BlackRock Financial Management, Inc. held 1,104,000 H Shares (long position) in the Company. BlackRock Financial Management, Inc. was an indirect wholly-owned subsidiary of BlackRock, Inc..

    4.3 BlackRock Institutional Trust Company, National Association held 33,705,279 H Shares (long position) and 1,460,000 H Shares (short position) in the Company. BlackRock Institutional Trust Company, National Association was an indirect wholly-owned subsidiary of BlackRock, Inc..

    4.4 BlackRock Fund Advisors held 51,310,000 H Shares (long position) in the Company. BlackRock Fund Advisors was an indirect wholly-owned subsidiary of BlackRock, Inc..

    4.5 BlackRock Advisors, LLC held 5,250,000 H Shares (long position) in the Company. BlackRock Advisors, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..

    4.6 BlackRock Japan Co., Ltd. held 47,543,526 H Shares (long position) in the Company. BlackRock Japan Co., Ltd. was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

    4.7 BlackRock Asset Management Canada Limited held 642,000 H Shares (long position) in the Company. BlackRock Asset Management Canada Limited was indirectly owned as to 99.9% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

    4.8 BlackRock Investment Management (Australia) Limited held 800,000 H Shares (long position) in the Company. BlackRock Investment Management (Australia) Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

    4.9 BlackRock Asset Management North Asia Limited held 1,755,190 H Shares (long position) in the Company. BlackRock Asset Management North Asia Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

    4.10 BlackRock (Netherlands) B.V. held 464,000 H Shares (long position) in the Company. BlackRock (Netherlands) B.V. was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: (Continued)

4.11 BlackRock Advisors (UK) Limited held 1,825,834 H Shares (long position) in the Company. BlackRock Advisors (UK) Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

4.12 BlackRock International Limited held 1,378,000 H Shares (long position) in the Company. BlackRock International Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

4.13 BlackRock Asset Management Ireland Limited held 22,703,327 H Shares (long position) in the Company. BlackRock Asset Management Ireland Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

4.14 BLACKROCK (Luxembourg) S.A. held 34,674,000 H Shares (long position) in the Company. BLACKROCK (Luxembourg) S.A. was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

4.15 BlackRock Investment Management (UK) Limited held 15,061,561 H Shares (long position) in the Company. BlackRock Investment Management (UK) Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

4.16 BlackRock Fund Managers Limited held 10,968,487 H Shares (long position) in the Company. BlackRock Fund Managers Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

4.17 BlackRock Life Limited held 22,354,048 H Shares (long position) in the Company. BlackRock Life Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

4.18 BlackRock Asset Management (Schweiz) AG held 14,000 H Shares (long position) in the Company. BlackRock Asset Management (Schweiz) AG was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

The 7,608,000 H Shares (long position) and 1,460,000 H Shares (short position) of BlackRock, Inc. in the Company were held through derivatives as follows:

7,608,000 H Shares (long position) and 1,460,000 H Shares (short position)	–	through cash settled unlisted derivatives

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: (Continued)

5. Morgan Stanley was deemed to hold interests in a total of 240,169,046 H Shares (long position) and 233,208,349 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

   5.1. Morgan Stanley & Co. International plc held 220,123,418 H Shares (long position) and 121,494,796 H Shares (short position) in the Company. Morgan Stanley & Co. International plc was an indirect wholly-owned subsidiary of Morgan Stanley.

   5.2. Morgan Stanley & Co. LLC held 12,531,139 H Shares (long position) and 107,948,119 H Shares (short position) in the Company. Morgan Stanley & Co. LLC was an indirect wholly-owned subsidiary of Morgan Stanley.

   5.3. Morgan Stanley Capital Services LLC held 6,998,489 H Shares (long position) and 3,765,434 H Shares (short position) in the Company. Morgan Stanley Capital Services LLC was an indirect wholly-owned subsidiary of Morgan Stanley.

   5.4. Morgan Stanley held 516,000 H Shares (long position) in the Company.

   The 60,336,111 H Shares (long position) and 58,949,323 H Shares (short position) of Morgan Stanley in the Company were held through derivatives as follows:

176,000 H Shares (long position) and 112,000 H Shares (short position)	–	through physically settled listed derivatives
12,000 H Shares (short position)	–	through cash settled listed derivatives
1,000,000 H Shares (long position) and 1,000,000 H Shares (short position)	–	through physically settled unlisted derivatives
59,160,111 H Shares (long position) and 57,825,323 H Shares (short position)	–	through cash settled unlisted derivatives

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any persons who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTEREST *(CONTINUED)*

2. Interests and Short Positions of Directors and Supervisors

As at 31 December 2017, as far as the Company is aware, none of the directors nor supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the directors or supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

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

During the year, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchase amount; and purchases from the Group's single largest supplier amounted to 1.59% of the Group's total purchases for the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2017 ("securities" shall have the meaning as defined in the Listing Rules).

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2017, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

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

RESERVES

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company on 31 December 2017 were RMB4,200.6 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 100,218 employees.

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

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

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

SHARE APPRECIATION RIGHTS PLAN

During the Reporting Period, there was no share appreciation rights plan within the valid term.

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Supervisors

Xu Weibing	(appointed on 6 December 2017)
Zhou Guoping	(appointed on 10 March 2005)
Wu Weiku	(appointed on 17 October 2014)
Li Xuan	(appointed on 27 May 2016)
Cui Shuhong	(appointed on 10 May 2005)
Zeng Xuan	(appointed on 25 March 2016)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

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

Details of the Directors' and Supervisors' remuneration and the individuals who are the five highest paid individuals of the Company during the year are set out in Note 10 to the consolidated financial statements. The remuneration paid to senior management (not including the four executive Directors) of the Company during the year is disclosed by band as follows:

Remuneration Band	No. of individuals
0 – RMB1,000,000	1
RMB1,000,000 – RMB1,500,000	7

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there were no changes of Directors.

Mr. Wu Jiwei ceased to be a Supervisor due to work re-designation. The first Extraordinary General Meeting of 2017 convened on 6 December 2017 considered and approved the election of Ms. Xu Weibing as shareholders' representative supervisor. On the meeting of the Supervisor Committee held on 6 December 2017, Ms. Xu Weibing was elected as the chairperson of the Supervisory Committee. The term of office of Ms. Xu serving as a supervisor and the chairperson of the Supervisory Committee aligns with the remaining term of the fourth session of the Supervisory Committee.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

Changes in information of the Directors, Supervisors and chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Mr. Cao Jianglin, the President and executive Director of the Company, ceased to be the chairman of North Cement from 2 June 2017.

Mr. Chang Zhangli, an executive Director of the Company, ceased to be a director of North Cement from 2 June 2017, and ceased to be a director of China Composites from 12 June 2017.

Ms. Cui Shuhong, a staff representative supervisor of the Company, has been serving as a supervisor of China United from 5 June 2017.

MANAGEMENT CONTRACTS

Except for the service contracts with the Directors or persons engaged in full-time employment of the Company and/or the Group, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management or handling of all or any material part of the Company's business.

CONNECTED TRANSACTIONS

The connected transactions of the Company, which are also related party transactions, are set out in Note 45 to the consolidated financial statements in accordance with International Accounting Standard 24 "Related Party Disclosure".

The following transactions entered into by the Company constitute "continuing connected transactions" as defined under chapter 14A of the Listing Rules, and the Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company:

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions

The transactions conducted during the Reporting Period set out in this section below constituted continuing connected transactions of the Company that were exempt from the independent shareholders' approval requirement under Rule 14A.76 of the Listing Rules and were only subject to the reporting and announcement requirements under the Listing Rules.

Transactions with the Parent Group

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

1. Master Purchase of Mineral Agreement

   On 18 January 2017, the Company entered into a Master Purchase of Mineral Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement, the Parent agreed to supply, or procure its subsidiaries to supply limestone and clay for the Company and its subsidiaries, to ensure supply of mineral ore for the Company's production for clinker and other cement products. The Parent and its subsidiaries shall supply to the Company and its subsidiaries limestone and clay from its quarries at the following priorities of basis of pricing:

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

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

   For the year ended 31 December 2017, the Group's expenditure for ore supplied by the Parent Group was RMB371.9 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

2. Master Mutual Provision of Products and Services Agreement

On 18 January 2017, the Company entered into a Master Mutual Provision of Products and Services Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement:

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

- Production supplies: raw materials and commodities (including grinding aid, spare parts, refractory materials); and

- Services: equipment repair, design and installation, property management services; technology services and other services;

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

- Product supplies: raw materials and commodities (including clinker, cement, lightweight building materials); and

- Services: supply of water, electricity and steam.

The pricing for the provision of production supplies and support services pursuant to the Master Mutual Provision of Products and Services Agreement shall be based on the following priorities:

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

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

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

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

   (d) if none of the prices mentioned above is applicable, the prices will be deemed to be the reasonable costs incurred in providing the same products and services plus a profit margin with reference to the general range of profit in the industry.

   For the year ended 31 December 2017, the Group's expenditure for the products and services provided by the Parent Group was RMB660.1 million. For the year ended 31 December 2017, the Group's revenue from the product supplies and services provided to the Parent Group was RMB603.3 million.

3. Master Purchase of Equipment Agreement

   On 18 January 2017, the Company entered into a Master Purchase of Equipment Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement, the Parent agreed to supply, or procure its subsidiaries to supply, roller press machine, waste heat power generators and other auxiliary facilities to the Company and its subsidiaries in order to satisfy the operational needs of the Company and its subsidiaries. The Parent Group shall supply to the Company and its subsidiaries equipment at the following priorities of basis of pricing:

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

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

   For the year ended 31 December 2017, the Group's expenditure for equipment supplied by the Parent Group was RMB320.1 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(continued)*

Transactions with the Parent Group *(continued)*

4. Master Provision of Engineering Services Agreement

On 18 January 2017, the Company entered into a Master Provision of Engineering Services Agreement with the Parent, for a term of three years commencing from 1 January 2017. Pursuant to the agreement, the Company agreed to supply, or procure its subsidiaries to supply engineering design, construction and supervisory and other services to the Parent Group.

The Company and its subsidiaries shall supply to the Parent Group engineering services at the following basis of pricing:

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

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

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

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

For the year ended 31 December 2017, the Group's revenue for engineering services provided to the Parent Group was RMB621.1 million.

Transactions Between North Cement and Jingang Group

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(continued)*

Transactions Between North Cement and Jingang Group *(continued)*

Master Agreement on Sale of Products

On 18 January 2017, North Cement, a 70% held subsidiary of the Company, entered into the Master Agreement on Sale of Products with Jingang Group, for a term of three years commencing from 1 January 2017, following the expiry of the previous master agreement on sale of products on 31 December 2016. Pursuant to the agreement, North Cement and its subsidiaries agreed to sell certain products to Jingang Group and its subsidiaries. The products included ultra-fine powder/slag, clinker and cement. The prices of the products under the agreement would be determined based on the following priorities:

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

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

For the year ended 31 December 2017, the Group's revenue from the sale of products to Jingang Group and its subsidiaries (including ultra-fine powder/slag, clinker and cement) was approximately RMB103.4 million.

Continuing Transactions Subsequently Becoming Connected

Transactions with the Sinoma Parent Group

References are made to the announcements of the Company dated 25 January 2016, 22 August 2016, 18 January 2017, 22 February 2017, 27 February 2017 and 8 March 2017 in relation to the proposed reorganisation involving the Parent (being the controlling shareholder of the Company) and Sinoma Parent. Upon completion of the transaction in March 2017, Sinoma Parent has become a connected person of the Company by virtue of becoming a wholly-owned subsidiary of the Parent. Before Sinoma Parent became a connected person of the Company, members of the Group had entered into agreements ("Subsequent CCT Agreements") with members of the Sinoma Parent Group in the ordinary and usual course of business, which transactions had been of a revenue nature. Pursuant to Rule 14A.60 of the Listing Rules, upon completion of the reorganisation involving the Parent and Sinoma Parent in March 2017, the Subsequent CCT Agreements and the transactions contemplated thereunder constituted continuing transactions which had subsequently become continuing connected transactions of the Group. Details of the Subsequent CCT Agreements are set out below and for further details of such transactions please refer to the announcement of the Company dated 18 January 2017 and 22 February 2017.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently becoming connected *(Continued)*

1. China United Cement Jining Co., Ltd.* – Contracting contract on production and exploitation of limestone mine

   On 25 June 2014, China United Cement Jining Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Sinoma Mining Construction Co., Ltd.* (as the contractor, a subsidiary of Sinoma Parent), for a term of 8 years (from 1 July 2014 to 30 June 2022 tentatively), the actual contracting period shall commence upon the placement of the agreed liability risk performance deposit. The location of the project is at Julongshan limestone mine in Sishui County, Shandong Province, the PRC. Pursuant to the agreement, within the mining rights of the limestone mine in respect of the 7,200t/d clinker new dry process cement production line of the contract-letting party, the contractor shall be responsible for: (1) contracting of the exploitation and transportation of limestone required for production; (2) delivery of ores exploited to designated locations; and (3) removal of spoil and waste rock and delivery to the designated dump, and about 5 million tons of limestone is exploited per year. The pricing and payment terms are as follows:

   (a) Fixed consolidated unit price of RMB8.05 per ton is adopted for the contracting, subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism.

   (b) The contract-letting party shall be responsible for the mining royalties and resource compensation fees whereas the contractor shall be responsible for other taxes and fees.

   (c) Contracting fees shall be settled every month.

   For the year ended 31 December 2017, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB30.6 million.

2. Guangxi Jinli Cement Company Limited* – Contracting contract on production and exploitation of limestone mine

   On 29 September 2010, Guangxi Jinli Cement Company Limited* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Sinoma Nanjing Mining Engineering Co., Ltd.* (as the contractor, a subsidiary of Sinoma Parent), for a term of 8 years (from 1 July 2011 to 30 June 2019 tentatively), the actual commencement date of the contracting period shall be the date on which the limestone ores are supplied. The location of the project is at Limestone mine in Xiexu mining area, Hengzhou Town, Heng County, Nanning City, Guangxi Province, the PRC. Pursuant to the agreement, the contractor shall be responsible for the following in relation to the 2 x 4,500t/d new dry process cement production lines of the contract-letting party: (1) exploitation of limestone and delivery to the designated locations; (2) removal of spoil and waste rock and delivery to the designated dump; and (3) construction of industrial facilities for the mine, and about 5 million tons of limestone is exploited per year. The pricing is as follows:

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently becoming connected *(Continued)*

2. Guangxi Jinli Cement Company Limited* – Contracting contract on production and exploitation of limestone mine *(Continued)*

   (a) Fixed consolidated unit price of RMB13.29 per ton is adopted for the contracting (inclusive of RMB2.00 per ton as infrastructure advance and RMB0.34 per ton as added-value tax of infrastructure advance) before the infrastructure advances were fully repaid. After the full repayment of the aforesaid infrastructure advances, the fixed consolidated unit price shall be RMB10.95 per ton.

   (b) Unit price of limestone delivered beyond the designated area shall be negotiated separately.

   (c) Contracting fees of limestone shall be settled every month but not for the removal of spoil and waste rock.

   (d) The abovementioned unit prices are subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism.

   For the year ended 31 December 2017, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB59.7 million.

3. South Cement Chongzuo Co., Ltd.* – Contracting contract on production and exploitation of limestone mine

   On 1 February 2015, South Cement Chongzuo Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Chongzuo branch of Sinoma Nanjing Mining Engineering Co., Ltd.* (as the contractor, a subsidiary of Sinoma Parent), for a term of 10 years (from 1 February 2015 to 30 January 2025 tentatively), the actual commencement date of the contracting period shall be the date on which the limestone ores are supplied. Pursuant to the agreement, the contractor shall be responsible for the following in relation to the 4,500t/d new dry process cement production line of the contract-letting party: (1) exploitation of limestone and delivery to the designated locations; and (2) daily maintenance, repair and management as agreed by both parties, and about 2.5 million tons of limestone is exploited per year. The pricing and payment terms are as follows:

   (a) Fixed consolidated unit price of RMB13.29 per ton is adopted for the contracting, subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism. The exploitation price of limestone can be lowered by both parties two years after the limestone supply date based on the actual circumstances.

   (b) Unit price of limestone delivered beyond the designated area shall be negotiated separately.

   (c) Exploitation fees of limestone shall be settled every month.

   For the year ended 31 December 2017, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB92.8 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing transactions subsequently becoming connected *(Continued)*

4. China United Cement Huaihai Co., Ltd.* – contracting contract on production and labour service of limestone

On 10 December 2014, China United Cement Huaihai Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Sinoma Yanzhou Mining Engineering Co., Ltd.* (as the contractor, a subsidiary of Sinoma Parent), for a term from 1 January 2015 to 31 December 2019. Pursuant to the agreement, the contractor is responsible for exploiting and loading ores from the mining area of limestone mines in Qinlongshan and Jiaoshan and delivering to the designated locations, and about 5 million tons of ores are produced per year. The annual production volume has satisfied the production needs of the contract-letting party and will be subject to possible adjustments according to the operating situations of the contract-letting party. The pricing and payment terms are as follows:

(a) Fixed unit price of RMB7.9 per ton is adopted for the contracting, which is tax exclusive and subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism. The contract-letting party is responsible for payment of taxes.

(b) Payment shall be made every month.

For the year ended 31 December 2017, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB94.8 million.

5. China United Cement Tai'an Co., Ltd.* – general contracting contract on limestone exploitation and transportation

On 6 January 2014, China United Cement Tai'an Co., Ltd.* (as the contract-letting party, a subsidiary of the Company) entered into an agreement with Sinoma Yanzhou Mining Engineering Co., Ltd.* (as the contractor, a subsidiary of Sinoma Parent), for a term of 10 years (commencing from the effective date of the general contracting contract). The location of the project is at Luohushan cement-used limestone mine in Yudong Village, Daiyue District, Tai'an City, Shandong Province, the PRC. Pursuant to the agreement, the contractor shall carry out general contracting for the entire process from exploitation to the safe transportation to designated locations in respect of the 5,000t/d clinker new dry process cement production line of the contract-letting party, and about 2.2 million tons of limestone is exploited for processing and transported per year. The pricing and payment terms are as follows:

(a) Fixed consolidated unit price of RMB8.77 per ton is adopted for the contracting, subject to the price adjustment mechanism as set out in the contract and the price adjustment as agreed by both parties in accordance with such mechanism.

(b) Payment shall be made every month.

For the year ended 31 December 2017, the amount paid by the Group to the Sinoma Parent Group under this agreement was RMB16.3 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

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

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

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

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

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

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

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

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

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION ENTERED INTO IN 2018

Transaction with Sinoma Finance

As Sinoma Group Finance Co., Ltd. (中材集團財務有限公司) ("Sinoma Finance") is a subsidiary of the Parent, it is a connected person of the Company for the purpose of the Listing Rules.

The Financial Services Framework Agreement

On 23 March 2018, the Company and Sinoma Finance entered into the Financial Services Framework Agreement ("Framework Agreement") with a term of two years from 1 January 2018 to 31 December 2019, pursuant to which, Sinoma Finance has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions therein.

According to the Framework Agreement, when determining the price for any financial services to be provided as specific transactions to be entered into between the Group and Sinoma Finance pursuant to the Framework Agreement, the Group will obtain quotes of interest rate, fees and terms from at least two general commercial banks in the PRC located in the same or adjacent regions during the same period. The Group will compare the quotes so obtained with the corresponding terms proposed by Sinoma Finance and:

(i) if the interest rate, fees and terms proposed by Sinoma Finance are more favourable than those proposed by such PRC general commercial banks, the Group will engage Sinoma Finance; and

(ii) as a matter of principle, the Group will give priority to using the services of Sinoma Finance if Sinoma Finance and such PRC general commercial banks offer equivalent terms and conditions. The Group has discretion to engage one of more of such PRC general commercial banks as its financial service providers as it thinks fit and beneficial to the Group.

Pursuant to the Framework Agreement, Sinoma Finance has agreed to provide the financial services to the Group in accordance with the following principles:

a) Deposit services: The interest rate for the Group for its deposits with Sinoma Finance will comply with the PBOC's regulations on interest rates for deposits of the same type from time to time, and will not be lower than: (i) the interest rate specified by the PBOC for deposits of the same category during the same period; (ii) the interest rate paid by Sinoma Finance for deposits of the same type placed by members of the Parent Group with Sinoma Finance during the same period under the same conditions; and (iii) the interest rate for deposits of the same type offered by PRC general commercial banks to the Group during the same period under the same conditions.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION ENTERED INTO IN 2018 *(CONTINUED)*

The Financial Services Framework Agreement *(Continued)*

b) Loan services: The interest rate for loans granted to the Group by Sinoma Finance will comply with the PBOC's regulations on interest rates for loans of the same type from time to time, and will not be higher than: (i) the benchmark interest rate specified by the PBOC for loans of the same category during the same period; (ii) the interest rate for similar loans charged by Sinoma Finance to members of the Parent Group during the same period under the same conditions; and (iii) the interest rate charged by PRC general commercial banks to the Group for similar loans during the same period under the same conditions.

Sinoma Finance will provide the loan services on normal commercial terms or better, and such loans will not be secured by the assets of the Group.

c) Other financial services: The services fees charged by Sinoma Finance for provision of other financial services to the Group will be in accordance with the standard of fees set by the PBOC or the CBRC (if applicable) and, will not be higher than: (i) the fees charged by Sinoma Finance to members of the Parent Group for providing services of the same type during the same period under the same conditions; and (ii) the fees charged to the Group by PRC general commercial banks for services of the same type during the same period under the same conditions. The settlement services provided by Sinoma Finance to the Group will be free of charge.

The deposit services to be provided by Sinoma Finance to the Group under the Framework Agreement are subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules, as one or more of the applicable percentage ratios under the Listing Rules for the relevant caps of the deposit services exceeds 25%. The loan services to be provided by Sinoma Finance to the Group under the Framework Agreement will be fully exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules. As the relevant caps on the total fees payable by the Group to Sinoma Finance in respect of the other financial services under the Framework Agreement are more than 1% but less than 5%, such services are subject to the reporting and announcement requirements but are exempted from independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. The Framework Agreement, the deposit services under the Framework Agreement and the relevant proposed annual caps for the deposit services will be subject to the independent shareholders' approval at the annual general meeting of the Company to be convened in 2018.

Details of the Financial Services Framework Agreement signed with Sinoma Finance were set out in the announcement of the Company dated 23 March 2018.

PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS

For the year 2017 and up to the date of this report, the Company entered into the partially-exempted connected transactions set out below:

The following transactions, which are also related party transactions as set out in Note 45 to the consolidated financial statements, constitute "connected transactions" as defined under chapter 14A of the Listing Rules, which were exempt from independent shareholders' approval requirements under Chapter 14A.76 of the Listing Rules and were only subject to the reporting and announcement requirement under the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules as applicable to the Company:

Transfer of state-owned land use rights

On 18 January 2017, China Triumph (a 91% directly-owned subsidiary of the Company) and Bengbu China Optoelectronics Technology Co., Ltd. (蚌埠中光電科技有限公司) ("Bengbu COE", a 55% indirectly-owned subsidiary of the Parent) entered into a transfer contract of state-owned land use rights. Pursuant to the contract, China Triumph agreed to transfer the land use rights of the land located in Bengbu City, PRC, to Bengbu COE at a consideration of RMB65.05 million. China Triumph was able to realise profits before tax from the disposal and revitalise its fixed assets.

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

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

On 23 January 2017, China Composites (a 100% directly-held subsidiary of the Company), Lianyungang Yingyou Textile Machinery Group Co., Ltd. (連雲港鷹遊紡機集團有限公司), Jiangsu Aoshen Group Corporation Limited (江蘇奧神集團有限責任公司) and CNBM United (a 100% directly-held subsidiary of the Parent), being shareholders of Zhongfu Shenying (a company 27.12% indirectly held by the Company through China Composites), entered into the Capital Contribution Agreement (the "Capital Contribution Agreement"), pursuant to which, it has been agreed that parties to the Capital Contribution Agreement shall make a capital contribution to Zhongfu Shenying in cash according to their respective shareholding on a pro rata basis. Based on their respective shareholding in Zhongfu Shenying, CNBM United made make a capital contribution of RMB40,000,000 and China Composites made a capital contribution of RMB29,083,110. Upon completion of the capital contribution, the shareholding of China Composites in Zhongfu Shenying remained at 27.12% of the enlarged registered capital and the shareholding of CNBM United in Zhongfu Shenying remained at 37.30% of the enlarged registered capital.

The purpose of the above connected transaction is to satisfy the development needs of a company in which the Group has invested. Details of the capital contribution to Zhongfu Shenying are set out in the announcement of the Company dated 23 January 2017. As at the date of this report, the transaction has been completed.

PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS *(CONTINUED)*

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

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

Based on the consideration in respect of the approximately 7.50% equity interest in Tongcheng New Energy (being approximately RMB18,537,221), an aggregate of 790,499 Consideration Shares will be allotted and issued by Luoyang Glass to China Triumph in consideration of the disposal. The final number of Consideration Shares to be issued by Luoyang Glass to China Triumph is subject to the final consideration under the Agreement and the approval by the general meeting of Luoyang Glass and the China Securities Regulatory Commission.

On 7 August 2017, China Triumph, Huaguang Group and Bengbu Institute entered into the Supplemental Agreement with Luoyang Glass, making amendments to certain terms regarding the consideration and the number of Consideration Shares to be issued by Luoyang Glass to China Triumph, Huaguang Group and Bengbu Institute set out in the Original SPA.

The above transaction facilitates the increase in the asset liquidity and cashability through second class market and the optimization of the asset structure of China Triumph and will further enable China Triumph to share the long-term revenue generated by the development of Luoyang Glass and receive capital gains and dividend income. Details of the disposal of equity interest in Tongcheng New Energy by China Triumph have been disclosed in the announcements published by the Company on 7 February 2017 and 7 August 2017. As at the date of this report, the transaction has been completed.

Acquisition of equity interests in MNC and its subsidiaries

On 18 August 2017, North Cement (a 70% owned subsidiary of the Company) and Mudanjiang North Cement Company Limited* ("MNC", a 51% owned subsidiary of Jingang Group as at the date of the relevant equity transfer agreement) entered into the equity transfer agreements, pursuant to which, North Cement has agreed to purchase the equity interests in 19 subsidiaries held by MNC ("Targets"), for an aggregate cash consideration of RMB2,299,474,996.66. Upon completion of the acquisitions, the Targets will become direct subsidiaries of North Cement.

PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS *(CONTINUED)*

Acquisition of equity interests in MNC and its subsidiaries *(Continued)*

On 18 August 2017, North Cement entered into the equity transfer agreement with Jingang Group, pursuant to which, North Cement has agreed to purchase the 51% equity interest in MNC held by Jingang Group, for a cash consideration of RMB213,473,621.40. Upon completion of the acquisition, MNC will become a directly wholly-owned subsidiary of North Cement.

The above acquisitions were conducive to expanding the scale of the Company's cement business in the north-eastern district and were also conducive to resolving the competition issues between North Cement and Jingang Group in the relevant district. Details of the acquisition of equity interest in MNC and its subsidiaries are set out in the announcement of the Company dated on 18 August 2017. As at the date of this report, the transaction has been completed.

NON-EXEMPT CONNECTED TRANSACTIONS

Merger Agreement with Sinoma

On 8 September 2017, the Company and Sinoma entered into a merger agreement (the "Merger Agreement"), pursuant to which, the Company and Sinoma will implement the Merger subject to the terms and conditions of the Merger Agreement. After the Merger, Sinoma will be merged into and absorbed by the Company in accordance with the PRC Company Law and other applicable PRC laws. The Exchange Ratio is 1.00 Sinoma Share to exchange for 0.85 CNBM Share, meaning that CNBM will issue: (i) 0.85 CNBM H Share to exchange for 1.00 Sinoma H Share; and (ii) 0.85 CNBM Unlisted Share (comprising CNBM Domestic Shares and (if issued) the CNBM Unlisted Foreign Shares) to exchange for 1.00 Sinoma Unlisted Share.

The Merger will bring the following benefits to the Group: (i) strengthening leading industry status and enhancing global competitiveness; (ii) deepening market influence and setting industry standard with broadened region and product coverage; (iii) consolidating the procurement, production and operation systems and reducing cost and improving in efficiency; (iv) consolidating overseas resources and strengthening cooperation in global markets; (v) integrating and sharing of R&D resources to enhance innovation capability; and (vi) enhancing liquidity in the capital market and improving financing structure.

As the Parent of the Company controls more than 30% of the equity interest in Sinoma through Sinoma Parent, Sinoma is an associate (as defined under the Listing Rules) of the Parent and hence a connected person of the Company under the Listing Rules. The Merger therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

NON-EXEMPT CONNECTED TRANSACTIONS *(CONTINUED)*

Merger Agreement with Sinoma *(Continued)*

Details and progress of the Merger are set out in the joint announcement dated 8 September 2017, the announcement dated 29 September 2017, the circular and the joint announcement dated 20 October 2017, the overseas regulatory announcement dated 31 October 2017, the joint announcement dated 6 November 2017, the supplemental circular and the joint announcement dated 17 November 2017, the joint announcement dated 23 November 2017, the announcement dated 6 December 2017, the overseas regulatory announcement dated 7 December 2017, the joint announcement dated 18 December 2017, the joint announcement dated 21 December 2017, the overseas regulatory announcement dated 22 December 2017, the announcement dated 29 December 2017, the overseas regulatory announcement dated 22 January 2018, the announcement dated 25 January 2018 and the joint announcement dated 16 March 2018. On 16 March 2018, all conditions to the Merger Agreement becoming effective and all conditions to the implementation of the Merger Agreement have been fulfilled and the parties may proceed to implement the Merger. As at the date of this report, the transaction has not been completed.

NON-COMPETITION AGREEMENT

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

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2017, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

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

AUDITORS

At the Board meeting held on 24 March 2017, pursuant to the authorisation granted at the 2016 AGM held on 26 May 2017, the Board determined to re-appoint Baker Tilly HK and Baker Tilly China as international and domestic auditors of the Company respectively, to hold office until the date of convening the 2017 annual general meeting. Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

DONATIONS

Donations for charitable or other purposes made by the Group during the Reporting Period amounted to RMB15,437,494.74.

ISSUE OF DEBENTURES

During the Reporting Period, the Company issued the following debentures in an aggregate principal amount of RMB51.5 billion to expand its financing channels, meet capital requirements, optimise its debt structure, utilise the financing function of the debt market fully and reduce its financing cost.

During the Reporting Period, the Company completed issuance of two tranches of renewable corporate bonds for cash in an aggregate principal amounts of RMB4.5 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of two tranches of corporate bonds for cash in an aggregate principal amount of RMB4 billion, par value of RMB100.

During the Reporting Period, the Company completed issuance of twenty four tranches of the super short-term commercial paper for cash in an aggregate principal amount of RMB43 billion, par value of RMB100.

By order of the Board
Song Zhiping
Chairman of the Board

Beijing, the PRC
23 March 2018

I. MATERIAL LITIGATION AND ARBITRATION

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

References are made to the overseas regulatory announcement dated 30 May 2010 by the Company reproducing the announcement of BNBM in respect of the gypsum board in the United States and the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third quarterly report, the 2015 annual report, the 2016 interim report, the 2016 annual report, the announcement dated 22 June 2017 and the announcement dated 22 March 2018 setting out information on the subsequent development of the gypsum board litigation in the United States.

In June 2017, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM and/or Taishan Gypsum are parties, each of BNBM and Taishan Gypsum has reached settlement with the plaintiffs of one of the gypsum board cases, namely Lennar Homes, LLC and U.S. Home Corporation (collectively, "Lennar"). According to the settlement agreement, BNBM and Taishan Gypsum have agreed to pay Lennar US$500,000 and US$6,000,000, respectively, to Lennar. The case filed by Lennar against BNBM and Taishan Gypsum has been fully settled.

In March 2018, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum and/or Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan") are parties, BNBM and Taishan have jointly reached settlement with the plaintiff of one of the gypsum board cases, Meritage Homes of Floria, Inc. ("Meritage"). According to the terms of BNBM and Taishan's joint settlement with Meritage, Taishan agreed to pay Meritage US$1,380,000, in full and final settlement of Meritage's respective claims against BNBM and Taishan. According to the settlement agreement, Taishan has pay the settlement to Meritage. The case filed by Meritage against BNBM and Taishan has been fully settled.

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

II. MATERIAL TRANSACTIONS

Supplemental Agreements to Finance Lease Agreements

Reference is made to the announcements of the Company dated 25 April 2016 and 21 April 2017 in relation to the Finance Lease Agreements (as defined below): on 25 April 2016, 14 subsidiaries of the Company (including but not limited to Lincheng Zhonglian Fushi Cement Company Limited) (the "Lessees") entered into 14 finance lease agreements (the "Finance Lease Agreements") respectively with the Company and Industrial Bank Financial Leasing Co., Ltd. ("IBFL"). On 21 April 2017, the Lessees entered into 14 supplemental agreements (the "Supplemental Agreements") with the Company and IBFL. Pursuant to the Supplemental Agreements, the Lease Period under each Finance Lease Agreement will be extended from one year to three years commencing on the relevant Lease Inception Date (the date on which the consideration for the relevant Leased Assets is paid by IBFL to the Company pursuant to that Finance Lease Agreement).

Details of the Supplemental Agreements to the Finance Lease Agreements are set out in the announcement of the Company dated 21 April 2017.

Acquisition of Equity Interests in MNC and its Subsidiaries

Reference is made to the transaction regarding the acquisition of equity interests in MNC and its subsidiaries as set out in the section headed "PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS" in this annual report. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions (on an aggregated basis) exceed 5%, but all such applicable percentage ratios are less than 25%, the Acquisitions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

For details of the acquisition of equity interests in MNC and its subsidiaries, please refer to the section headed "PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS" in this annual report. The transaction has been disclosed in the announcement published by the Company on 18 August 2017. As at the date of this report, the transaction has been completed.

Merger Agreement with Sinoma

Reference is made to the Merger Agreement with Sinoma as set out in the section headed "NON-EXEMPT CONNECTED TRANSACTIONS" in this annual report. The highest relevant percentage ratio for transaction classification under the Listing Rules in respect of the relevant acquisition and the issue and exchange of H Shares and Unlisted Shares of the Company pursuant to the Merger exceeds 25% and is lower than 100%. As a result, the Merger will constitute a major acquisition for the Company.

II. MATERIAL TRANSACTIONS *(CONTINUED)*

Merger Agreement with Sinoma *(continued)*

For details of the Merger Agreement with Sinoma, please refer to the section headed "NON-EXEMPT CONNECTED TRANSACTIONS" in this annual report. The transaction has been disclosed in the joint announcement dated 8 September 2017, the circular dated 29 September 2017, the circular and the joint announcement dated 20 October 2017, the overseas regulatory announcement dated 31 October 2017, the joint announcement dated 6 November 2017, the supplemental circular and the joint announcement dated 17 November 2017, the joint announcement dated 23 November 2017, the announcement dated 6 December 2017, the overseas regulatory announcement dated 7 December 2017, the joint announcement dated 18 December 2017, the joint announcement dated 21 December 2017, the overseas regulatory announcement dated 22 December 2017, the announcement dated 29 December 2017, the overseas regulatory announcement dated 22 January 2018, the announcement dated 25 January 2018 and the joint announcement dated 16 March 2018. On 16 March 2018, all conditions to the Merger Agreement becoming effective and all conditions to the implementation of the Merger Agreement have been fulfilled and the parties may proceed to implement the Merger. As at the date of this report, the transaction has not been completed.

Financial Services Framework Agreement

Reference is made to the Financial Services Framework Agreement with Sinoma Finance as set out in the section headed "NON-EXEMPT CONTINUING CONNECTED TRANSACTION" in this annual report. Pursuant to the agreement, Sinoma Finance has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions therein. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the provision of deposit services under the Framework Agreement exceeds 25%, the deposit services to be provided by Sinoma Finance to the Group also constitute a major transaction.

For details of the Financial Services Framework Agreement signed with Sinoma Finance, please refer to the statement in the section headed "NON-EXEMPT CONTINUING CONNECTED TRANSACTION" in this annual report. The transaction has been disclosed in the announcement of the Company dated 23 March 2018.

Report of the Supervisory Committee

Dear shareholders,

During the Reporting Period, to carry out the duties as authorized under the Company Law and the Articles of Association of the Company so as to protect the interests of the Company and its shareholders, all members of the fourth session of the Supervisory Committee of the Company (the "Supervisory Committee"), had truthfully and responsibly carried out effective supervision over every operational matters and made great contribution to improvement of corporate governance, progress of reorganization and consolidation, further optimization and upgrading and realization of stable and sustained development with high quality.

During the Reporting Period, the Supervisory Committee held a total of three meetings; all Supervisors attended all of the Board meetings. The Supervisory Committee has reviewed the Supervisory Committee Working Report of the Company for 2016, the auditor's report and audited financial statements of the Group for 2016, the profit distribution plan and the final dividend distribution plan for 2016, the interim financial report and results announcements for 2017, the interim auditor's report and the audited financial statements for 2017, as well as the handling of interim dividends for 2017, election of the chairman of the fourth session of the Supervisory Committee and other matters. The committee carried out effective supervision over the performance of duties of Directors and the senior management of the Company, the operational management, the financial position and the information disclosure.

Supervision over the performance of duties. During the Reporting Period, the Supervisory Committee kept enhancing supervision over the performance of duties amidst complicated and changing economic environment, adopting new work style, improving supervision over the process, and developing more channels for communication with the Board and the senior management. Through performing the supervisory role authorized by the Articles of Association, the Supervisory Committee is of the opinion that, the Board of the Company had complied with the requirements of the Company Law, the Articles of Association of the Company and other relevant rules, regulations and systems, reviewed the operation of the Company in an objective and reliable manner in order to make legitimate and sensible decisions. Directors and the senior management of the Company had conscientiously implemented the laws and regulations of the State, the Articles of Association, resolutions passed at shareholders' meetings and Board meetings. They have also been dedicated to their duties with honesty, and always attached great importance to the benefit of the Company and the Shareholders.

Supervision over financial matters. During the Reporting Period, the Supervisory Committee carefully reviewed regular reports and strengthened supervision over the financial compliance and truthfulness. It reviewed relevant financial information of the Company and audit reports issued by the auditors on a regular basis, and confirmed that the accounts and the accounting treatment of the Company has complied with the Accounting Law of the People's Republic of China, the accounting system issued by the Ministry of Finance of the People's Republic of China and requirements set out in the Hong Kong Financial Reporting Standards. The committee also confirmed that the Company carried out standard financial audits, operated proper financial strategies and put in place a sound internal control system, which was in line with the development status and expectations of the Company. Having reviewed relevant information including the 2017 financial report with the unqualified opinion issued by the independent auditors as of the date of the report, the Supervisor Committee is in the position that the report follows the principle of consistency and gives an accurate, true and fair view of the financial position and operating results of the Company.

Information disclosure. During the Reporting Period, the Supervisory Committee reviewed the information disclosure position of the Company regularly or from time to time. It is of the view that the Company had complied with relevant requirements of the Listing Rules and other regulations; it performed well in information disclosures by disclosing appropriate information in a timely manner and the disclosed contents are truthful, accurate, complete, and effective, without false statements, misleading representations or material omission. During the Reporting Period, the Company fulfilled the information disclosure responsibility in accordance with regulatory policies, and duly executed the management over all information disclosure matters. Relevant information has been disclosed in a timely and fair manner, and all the information disclosed during the Reporting Period is true, accurate and complete.

The Supervisory Committee is satisfied with the Company's positive reaction to complicated and changing economic conditions and achievements in deepening consolidation and reorganization, maintaining stable growth, accelerating innovation-driven reform and recording satisfactory performance in all business segments in 2017. It hopes that in 2018, the Directors and the senior management will keep deepening internal business consolidation, further promote restructuring and technology innovation and lead the Company to the path of high-quality development.

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

Xu Weibing
Chairman of the Supervisory Committee

Beijing, the PRC
23 March 2018

DIRECTORS

Executive Directors

Mr. Song Zhiping, born in October 1956, is the chairman of the Board and an executive director of the Company. Mr. Song has nearly 40 years of experience in business and management in China's building material industry. He served as the chairman of the supervisory committee of South Cement from September 2007 to June 2016. He has served as the chairman of Parent since October 2005 and the chairman of the Board and executive director of the Company since March 2005. He served as the chairman of China United from March 2003 to February 2005 and the general manager of Parent from March 2002 to October 2005. He also served as the vice general manager and the vice general manager of general affairs of Parent from October 1995 to March 2002, respectively. From May 1997 to May 2002, Mr. Song served as the chairman of BNBM and the chairman of BNBMG since January 1996. Mr. Song served several positions in BNBMG (both prior to and after its conversion) from September 1987 to July 2002, including the deputy director and the director of the factory, the general manager and the secretary to the Party Committee. Mr. Song has served as an external director and the chairman of China National Pharmaceutical Group Corporation form May 2009 to April 2014. Mr. Song received a bachelor's degree in polymer from Hebei University in September 1979 and received an MBA degree from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1995 and a doctor's degree in management from Huazhong University of Science and Technology in May 2002. Mr. Song is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present, Mr. Song concurrently acts as the chairman of World Cement Association (世界水泥協會), the executive vice chairman of China Building Materials Federation (中國建築材料聯合會), the vice chairman of China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會), the presidium members of China Federation of Industrial Economics (中國工業與經濟聯合會) and the chairman of China Enterprise Reform and Development Research Association (中國企業改革與發展研究會), etc. Mr. Song was elected as the representative of the Eighteenth National Congress of Communist Party of China. Mr. Song received a number of awards and titles for his management and entrepreneurial skills, including National Model Worker (全國勞動模範), the Eighth Session of National Outstanding Entrepreneur "Golden Globe Awards" (第八屆全國優秀企業家金球獎), Management Elite Award (管理人物精英獎), one of the Top Ten Merger and Acquisition Businessmen in the PRC (中國十大併購人物), the Yuan Baohua Enterprise Management Gold Award (袁寶華企業管理金獎) and the China Enterprise Reform Medallion in the Thirty Years of Reform and Opening Up (改革開放30年中國企業改革紀念章), the People with Outstanding Contribution to Social Responsibility Undertakings (人民社會責任傑出貢獻人物), the Golden Bauhinia Awards "Most Influential Leader" (中國證券金紫荊獎最"具影響力領袖獎"), The People of the Year in Chinese Economy (中國經濟年度人物獎), China Economic Leaders Award (華人經濟領袖獎), the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果), the "25 Most Influential Corporate Leaders" (最具影響力的25位企業領袖) and The Businessman of China (中國商人).

DIRECTORS *(CONTINUED)*

Executive Directors *(continued)*

Mr. Cao Jianglin, born in September 1966, is the president and an executive director of the Company. Mr. Cao has nearly 30 years of experience in business and management in the building material industry. Mr. Cao has been a general manager of the Parent since April 2014. He served as a director of China United and the chairman of the board of Southwest Cement from January 2012 to March 2016. He has been the chairman of the supervisory committee of BNBM since September 2009. He was the chairman of North Cement from March 2009 to June 2017, and has been the chairman of South Cement since September 2007, a director of Parent since October 2005, the chairman of the supervisory committee of BNBMG since August 2005, the chairman of the supervisory committee of China United from April 2005 to December 2011, the president and an executive director of the Company since March 2005. Mr. Cao was the chairman of BNBM from October 2004 to August 2009, a director of China Composites from September 2004 to March 2016 and a director of China Triumph from September 2004 to April 2016, the chairman of China Jushi (formerly known as China Fiberglass) since June 2002 and the chairman of CNBM Investment (formerly known as BND Co., Limited) from March 2002 to August 2014. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group, including the general manager assistant, the vice general manager and the vice chairman of BNBMG, the general manager assistant and the vice general manager of Parent, the president of CNBM Investment and the general manager of China Jushi. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao is a researcher and was awarded a special grant of the government approved by the State Council. Mr. Cao was granted Model Worker of China Central Government Enterprises, Excellent Entrepreneur of the State and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果). He has been awarded the title of "The Best CEO" by Institutional Investor for six consecutive years.

Mr. Peng Shou, born in August 1960, is the vice president and an executive director of the Company. Mr. Peng has over 30 years of experience in business and management in the building material industry. He is an expert in inorganic materials research and development as well as engineering design and consulting. Mr. Peng has served as an executive director of the Company since June 2006, a vice president of the Company since March 2005, the chairman of China Triumph since September 2004 and the president of China Triumph since May 2002. He also served as the deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng received a bachelor's degree in engineering from Wuhan Institute of Building material industry (now Wuhan University of Technology) in December 1982 and a master's degree in management from Wuhan Polytechnic University (now Wuhan University of Technology) in June 2002. Mr. Peng is qualified as a professor level senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Peng concurrently acts as the executive member of International Commission on Glass, the director of State Key Laboratory of Float Glass New Technology (浮法玻璃新技術國家重點實驗室), the vice chairman of China Silicate Association (中國硅酸鹽學會), the deputy chairman of the China Building and Industrial Glass Committee and the vice president of China Building Material Federation. Mr. Peng was awarded National Model Worker (全國勞動模範), National May Day Labor Medal, State Technology Advancement (國家級科技進步獎), Guanghua Engineering Science and Technology Award of Chinese Academy of Engineering and 2015 Science and Technology Innovation Award of Ho Leung Ho Lee Foundation. As a National Engineering Survey and Design Master (國家級工程勘察設計大師), he is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程) and State Outstanding Technical Officer (全國優秀科技工作者).

DIRECTORS *(CONTINUED)*

Executive Directors *(continued)*

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

Mr. Chang Zhangli, born in December 1970, is the vice president, a secretary to the Board and an executive director, and the temporary deputy secretary of Party Committee of the Company. Mr. Chang has approximately 30 years of experience in handling listing-related matters for listed companies, has participated in all major matters relating to the global offering of the shares of the Company and listing of shares of the Company on the Stock Exchange. Mr. Chang has served as the chairman of Southwest Cement since March 2016. He served as the acting president of Southwest Cement from January 2015 to March 2016, and has been a director of China Triumph since October 2012, a director of China United and Southwest Cement since December 2011. He acted as a director of China Composites from December 2011 to June 2017, and the vice chairman of the board of Southwest Cement from December 2011 to March 2016. He has been an executive Director of the Company since November 2011 and served as a director of North Cement from March 2009 to June 2017. Mr. Chang has been serving as a director of BNBM since July 2008, a director of South Cement since September 2007, the vice president of the Company since August 2006, a director of China Jushi (formerly known as China Fiberglass) since July 2005, the secretary to the Board of the Company since March 2005 and a director of CNBM Investment (formerly known as BND Co., Limited) since December 2000. From June 2000 to March 2005, Mr. Chang assumed in a number of key positions in BNBM, including the secretary to the board and the deputy general manager. Mr. Chang is an engineer who received a bachelor's degree in engineering from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from Tsinghua University in July 2005. Currently, Mr. Chang concurrently serves as the vice president of China Cement Association, the vice president of the Listed Companies Association of Beijing, the vice president of China Association for Public Companies and the vice president of China Building Materials Enterprise Management Association. Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

DIRECTORS *(CONTINUED)*

Non-executive Directors

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

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

DIRECTORS *(CONTINUED)*

Non-executive Directors *(continued)*

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

Independent non-executive Directors

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

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(continued)*

Mr. Liu Jianwen, born in May 1959, is an independent non-executive Director of the Company. Mr. Liu has rich research experience in the fields of fiscal and tax law, economic law and intellectual property law. Mr. Liu has been serving as an independent non-executive Director of the Company since May 2016. He served as an independent supervisor of the Company from October 2014 to May 2016. He has been serving a professor and doctoral tutor of the Law School of Peking University since July 1999. From January 1997 to October 1997, Mr. Liu used to hold the position of deputy dean in the Law School of Wuhan University. Mr. Liu used to be a professor and doctoral tutor of the Law School of Wuhan University from May 1995 to December 1999 and a lecturer and deputy professor of the Law School of Wuhan University from July 1986 to April 1995. Mr. Liu obtained a bachelor's degree in Economics in Anhui University of Finance in June 1983, a master's degree in law in China University of Political Science and Law in June 1986 and a doctorate degree in law in Wuhan University in June 1997 and completed his postdoctoral program in law from Peking University in June 1999. Mr. Liu is currently an independent director of Shandong Hi-Speed Group Co., Ltd. and Jiangsu Qiangli New Materials Corporation (江蘇強力新材股份有限公司). Mr. Liu concurrently holds the position of chairman of China Association for Fiscal and Tax Law, executive director of China Law Society, a legislative expert advisor of the NPC Standing Committee, a law advisor of the Ministry of Finance and a member of the Revenue Administrative Reconsideration Committee of the State Administration of Taxation (國家稅務總局稅務行政複議委員會). Mr. Liu received various awards, including the third prize of An-zijie International Trade Outstanding Works, the first prize of Outstanding Research on Philosophy and Social Science in Beijing and the second prize of the National Outstanding High School of Research on Philosophy and Social Science.

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

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(continued)*

Mr. Qian Fengsheng, born in October 1964, is an independent non-executive Director of the Company. Mr. Qian has extensive research experience in accounting and economics. He has been an independent non-executive Director of the Company since May 2016, and the head of the accounting department of Zhejiang College of Shanghai University of Finance and Economics since May 2011. He was the head of the MPAcc Center of Shanghai University of Finance and Economics from May 2004 to May 2012, and has been serving as an associate professor of the School of Accountancy of Shanghai University of Finance and Economics since June 1996, and a tutor of the School of Accountancy of Shanghai University of Finance and Economics since July 1986. In July 1986, Mr. Qian obtained a bachelor's degree in accounting and economics from Shanghai University of Finance and Economics and in June 1992, he obtained a master's degree in accounting and economics there from. In July 1999, he obtained a doctoral degree in accounting from Shanghai University of Finance and Economics. Currently, Mr. Qian concurrently serves as an independent director of Shanghai Hanbell Precise Machinery Co., Ltd., Jonjee Hi-Tech Industrial & Commercial Holding Co., Ltd. and Shanghai Tofflon Science and Technology Co., Ltd., and a member of the basic accounting theory committee of the Ministry of Finance (會計基礎理論專門委員會). Mr. Qian was honored the second prize of National Teaching Achievement Award (國家級教學成果二等獎).

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

SUPERVISORS

Ms. Xu Weibing, born in March 1959, has over 30 years of experience in financial accounting and capital operation. Ms. Xu has been serving as the chairperson of the Supervisory Committee since 6 December 2017 and the chief accountant of the Parent since May 2017. She acted as the deputy general manager of the Parent from August 2016 to May 2017, and has been serving as a director of Sinoma Energy Conservation Limited since December 2013 and the chairperson of CIMC Finance Company since April 2013. She was a member of the Party Committee of the predecessor of China National Materials Group Corporation from May 2009 to August 2016, and has been serving as the chairperson of Supervisory Committee of China National Materials Company Limited since July 2007. Ms. Xu acted as the deputy general manager of China National Non-Metallic Materials Corporation (中國非金屬材料總公司) from March 2005 to July 2007, the chairperson of Supervisory Committee of Sinoma Science & Technology Co., Ltd. from December 2001 to September 2014, the chief accountant of the predecessor of China National Materials Group Corporation from October 2000 to August 2016. From February 1989 to October 2000, Ms. Xu worked for China National Non-Metallic Minerals Corporation (中國非金屬礦工業總公司) and held a number of positions, including deputy controller and head of corporate finance department, the head of corporate finance department, manager of economics and finance department, deputy section officer and assistant manager of the finance department. She was 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, and 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. Ms. Xu graduated from Liaoning Finance and Economics Institute (遼寧財經學院) in July 1983 with a bachelor's degree, majoring in finance, and is a senior account. Ms. Xu is entitled to a special government allowance provided by the State Council.

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

SUPERVISORS *(CONTINUED)*

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

Mr. Li Xuan, born in March 1968, is an independent Supervisor of the Company. Mr. Li possesses extensive theoretical and practice experience in the field of law. Mr. Li has been an independent Supervisor of the Company since May 2016, and the head and associate professor of the Juris Master Education Center of Central University of Finance and Economics since November 2015. From June 2010 to November 2015, he served as the head of the Office of Legal Affairs and an associate professor of Central University of Finance and Economics. Between November 2003 and May 2010, he served as the deputy dean and associate professor of the School of Law of Central University of Finance and Economics. From May 2000 to November 2003, he was the deputy head and assistant professor of the School of Law of Central University of Finance and Economics. Between March 1997 and April 2000, he served as a lecturer and an assistant to the head of the School of Law of Central University of Finance and Economics, and from May 1995 to February 1997, he was an assistant tutor and lecturer of the School of Law of Central University of Finance and Economics. Mr. Li obtained the master's degree in procedure law from the Law School of Peking University in July 1994 and the doctoral degree in procedure law from the School of Civil, Commercial and Economic Law of China University of Political Science and Law in July 2011. Mr. Li possesses strengths in Company Law, Procedure Law, Arbitration Law and other laws as well as in handling cases of enormous difficulties. He is the author of The Destiny of Contemporary Lawyers in China. Mr. Li is an incumbent independent director of BOE Technology Group Co., Ltd., an incumbent independent director of China Shengmu Organic Milk Limited, an incumbent independent director of China Minzu Securities Company Limited and concurrently serves as the deputy head of the Public Policy Research Center of China University of Political Science and Law, an acting director of the Lawyers Law Research Committee of China Law Society (中國法學會律師法學研究會), an acting director of and the chief secretary to the Case Law Research Committee of China Law Society, the vice chairman of the legislative committee of Beijing Committee of The China Democratic League (民盟北京市委法制委員會委員副主任) and the chairman of China Democratic League Branch in Central University of Finance and Economics (民盟中央財經大學主委). Mr. Li was honored as an Outstanding Tutor of the Central University of Finance and Economics, Outstanding Education Worker, Role Model of the Teachers' Code of Morality of Beijing, Best Yong and Leading Teacher of Beijing (北京市優秀青年骨幹教師) and Best Teacher of Clinical Legal Education (中國優秀法律診所教師).

SUPERVISORS *(CONTINUED)*

Ms. Cui Shuhong, born in March 1968, is currently a staff representative Supervisor, the temporary Secretary of Commission for Discipline Inspection, the general manager of the Administration and Human Resources Department, and the head of the Party-Masses Relationship Department of the Company. Ms. Cui has nearly 25 years of experience in management positions. She has been the chairperson of the Supervisory Committee of China United since May 2017, the head of the Party-Masses Relationship Department of the Company since April 2016, the temporary Secretary of Commission for Discipline Inspection of the Company since December 2015, the chairman of the supervisory committee of China Triumph since October 2012, a staff supervisor since May 2005 and the general manager of the Administration and Human Resources Department of the Company since April 2005. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990 and a degree in EMBA from Tsinghua University in January 2014. She is a researcher.

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

SENIOR MANAGEMENT

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

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

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

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

SENIOR MANAGEMENT *(CONTINUED)*

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

Mr. Chen Xuean, born in April 1964, is a vice president and chief financial officer of the Company. Mr. Chen has nearly 25 years' experience in financial management. Mr. Chen has served as the chairman of the supervisory committee of South Cement since June 2016, the chairman of the supervisory committee of Southwest Cement since April 2016, the chairman of supervisory committee of China Jushi (formerly known as China Fiberglass) since October 2014, a supervisor of Henan Tongli Cement (河南同力水泥) since May 2014, a director of BNBM since September 2012, a director of China Composites from December 2011 to June 2017, the vice president of the Company since November 2011, the chairman of the supervisory committee of North Cement since March 2009, a director of CNBM Investment (formerly known as BND Co., Limited) since August 2008, a director of South Cement from September 2007 to June 2016, a director of China United from October 2006 to June 2017, a supervisor of China Jushi from July 2005 to October 2014, and the chief financial officer of the Company since March 2005. From April 1995 to March 2005, Mr. Chen served as the deputy head of finance department of general office of SASAC, the deputy head of Assets Inspection and Verification Department, the head of the Monitoring Department and the head of the Central Department of State-owned Assets Statistics and Evaluation Division of the Ministry of Finance. Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1986 and a master's degree in management from Beijing Institute of Technology in November 1999. He is a researcher and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Xiao Jiaxiang, born in September 1963, is a vice president of the Company. Mr. Xiao has rich experience and achievements in business management, regional economic and social development, group management (especially in group strategy management and group control), as well as financing and cooperation in international capital market. He has served as a director of North Cement since June 2017, a director of Southwest Cement from December 2011 to March 2016, the president of South Cement since June 2009, the deputy secretary to the Party Committee of South Cement since April 2009, a vice president of the Company and a director of South Cement since February 2009. From February 2006 to December 2008, he served as the president of Tianrui Corporation, and concurrent chairman and general manager of Tianrui Group Cement Co., Ltd. From March 2004 to December 2005, he served as a secretary of Party Committee in Daye City, Hubei Province and a director of the Standing Committee of People's Congress of Daye City. From November 2001 to March 2004, he served as deputy party secretary and mayor of Daye City, Hubei Province. From April 1997 to November 2001, he served as a director, the general manager assistant, the vice general manager and Standing Party Committee member in Huaxin Cement (Group) Co., Ltd.. From July 1991 to April 1997, he served as the head in the lime mine of Hubei Huaxin Cement (Group) Co., Ltd.. From July 1982 to July 1991, Mr. Xiao served as an engineer, the head of the mine workshop of Guizhou Shuicheng Cement Plant. Mr. Xiao received a bachelor's degree in mining engineering of the non-metallic department from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in August 1982, an MBA degree from Wuhan Polytechnic University (now Wuhan University of Technology) in July 1997 and a doctor's degree in management from Huazhong University of Science and Technology in July 2004. He is a professor-grade senior engineer. At present Mr. Xiao consecutively acts as the executive vice chairman of China Cement Association. He was honoured as a National Outstanding Scientific Worker and the National Advanced Individual in Quality Management, and was granted honours including National Frontier Excellence Awards (全國邊陲優秀兒女獎章) and the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Wang Bing, born in February 1972, is a vice president of the Company. Mr. Wang has accumulated nearly 20 years of experience in business and management in building materials industry. He has been the secretary to the Party Committee of BNBM since July 2014, a vice president of the Company and the chairman of BNBM since August 2009. From February 2004 to August 2009, he served as the general manager of BNBM. Mr. Wang served as a general manager assistant and the deputy general manager of China Chemical Building Material Company Limited (中國化學建材股份有限公司, currently known as China Jushi) from October 2002 to February 2004, the general manager of Chengdu Southwest Beijing New Building Material Company Limited (成都西南北新建材有限公司) from July 1998 to September 2002, and the regional manager of Beijing New Building Material (Group) Co., Ltd. from July 1994 to July 1998. Mr. Wang received a bachelor's degree in industry and electricity automation from the Automation Department of Wuhan Polytechnic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from China Europe International Business School in September 2005. Mr. Wang obtained a doctor's degree in management science and engineering from Wuhan University of Technology in June 2012. Mr. Wang is a professor-grade senior engineer. At present Mr. Wang consecutively acts as a member of the standing committee and the secretary of economic sector of China Youth Federation, the vice chairman of Beijing Youth Federation, the director of the China Capital Entrepreneurs' Club (企業家俱樂部), the vice chairman of China Real Estate Association (中國房地產業協會) and the director of the Materials and Facilities Committee (材料與設施委員會), and the chairman of China Insulation and Energy Efficiency Materials Association (中國絕熱節能材料協會). Mr. Wang was granted many awards, including the first prize of National Corporate Management Modernization and Innovation Achievement (國家級企業管理現代化創新成果), the first prize of State-Owned Enterprise Management and Innovation Achievement Award (全國國企管理創新成果一等獎), Beijing Outstanding Entrepreneur (北京市優秀企業家), Beijing Model Worker (北京市勞動模範), Beijing Youth May Fourth Medal (北京青年五四獎章), Central Enterprise Youth May Fourth Medal (中央企業青年五四獎章), Mundell World Executive Awards for Achievement, China Outstanding Quality Model, National Building Materials Industry Outstanding Entrepreneur (全國建材行業優秀企業家), and China Creditable Entrepreneur (全國優秀誠信企業家).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Cai Guobin, born in August 1967, is a vice president of the Company. Mr. Cai has nearly 25 years of experience in building material industry. Mr. Cai has been a director of North Cement Company Limited since April 2016, a director of China Composites from March 2016 to June 2017, the chairman of the supervisory committee of China United from July 2015 to June 2017, the chairman of CNBM Investment (formerly known as BND Co., Limited) since August 2014, the vice chairman of China Jushi (formerly known as China Fiberglass) since October 2009, a vice president of the Company since August 2009. From May 2006 to October 2009, he served as the director and vice general manager of China Fiberglass. He has been the president of CNBM Investment from April 2004 to August 2014 and a director of CNBM Investment since March 2003. From July 2005 to May 2006, he served as a supervisor of China Fiberglass. From December 2000 to April 2004, he served as vice president of CNBM Investment. From November 1999 to January 2001, he served as a general manager assistant of China National Building Material& Equipment Import and Export Company Zhujiang Branch. From June 1998 to November 1999, he served as a deputy manager in the planning and financial department of China National Building Material & Equipment Import and Export Company Zhujiang Branch. Mr. Cai is an accountant who received a bachelor's degree in economics(normal major) from Shanghai University of Finance and Economics in July 1990 and an EMBA degree from Tsinghua University in January 2012. He was honoured as Outstanding Party Member of Shenzhen, Outstanding Entrepreneur of Building Materials Industry (建材行業優秀企業家), the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果) and listed in Elites' Register of Building Materials Industry in 2008 (建材行業精英錄).

Mr. Zhang Jindong, born in January 1964, is the vice president of the Company. Mr. Zhang has nearly 30 years of experience in business and management experience in the construction material industry. Mr. Zhang has been a director of North Cement, Southwest Cement and China Composites since June 2017, a director of China Triumph since April 2016, the general manager of technology department of the Company since November 2015, the vice president of the Company since August 2014, a director of China United from April 2005 to July 2014, a general manager and deputy secretary of the party of China United from August 2004 to July 2014, a general manager of Shangdong Lunan Cement Co., Ltd. from March 2000 to July 2004, a deputy general manager of Shangdong Lunan Cement Co., Ltd. from February 1999 to February 2000 and a director and deputy chief senior engineer of Lunan Cement Factory from July 1985 to January 1999. Mr. Zhang obtained the Bachelor's degree in Automotives from Shandong Institute of Building Materials in June 1985 and a Master's degree in Business Administration from Xiamen University in June 2005. He is a senior engineer.

SENIOR MANAGEMENT *(CONTINUED)*

Ms. Pei Hongyan, born in December 1973, is the chief accountant and certified public accountant of the Company. She has over 20 years of experience in accounting. Ms. Pei has been a supervisor of Daye Jianfeng since June 2017, a supervisor of South Cement since June 2016, the chief accountant of the Company, chairman of the supervisory committee of China Composites and a director China United since March 2016, a director of BNBM since November 2014, a director of China Jushi (formerly known as China Fiberglass) since April 2011, a supervisor of North Cement since August 2010, a certified public accountant of the Company since June 2005 and the general manager of the finance department of the Company since April 2005. She served as a senior accountant in the finance division of Parent from November 2003 to April 2005 and a general manager assistant of the finance division of Parent from November 2002 to April 2005. She also served as a director of Kunming Cement Inc. from March 2002 to December 2004 and the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a bachelor's degree in economics from Dongbei University of Finance and Economics in July 1996 and a master's degree in management from Dongbei University of Finance and Economics in March 1999. She is a fellow member of the Association of Chartered Certified Accountants and also a non-practising member of the Chinese Institute of Certified Public Accountants. She was awarded the first prize of National Corporate Management Modernization and Innovation Achievements in National Building Materials Industry (國家級建材行業企業管理現代化創新成果).

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

SENIOR MANAGEMENT *(Continued)*

CERTIFIED PUBLIC ACCOUNTANTS

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

JOINT COMPANY SECRETARIES

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

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

CONFIRMATION OF THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

On 8 September 2017, China National Building Material Company Limited (the "CNBM" or the "Company") and China National Materials Company Limited ("Sinoma") entered into a merger agreement (the "Merger Agreement"), pursuant to which Sinoma will be merged into and absorbed by the Company by way of absorption and a share-exchange; and in accordance with the PRC Company Law and other applicable PRC laws (the "Merger"). The Company and its subsidiaries (the "Group") and Sinoma and its subsidiaries ("Sinoma Group") after the completion of the Merger are hereinafter referred to as the "Enlarged Group".

A single exchange ratio has been agreed in respect of the merger for H shares and unlisted shares of CNBM and Sinoma. The exchange ratio is 1: 0.85, meaning that each Sinoma H Share shall be exchanged for 0.85 CNBM H Share to be issued by CNBM, and that each Sinoma Unlisted Share shall be exchanged for 0.85 CNBM Unlisted Share to be issued by CNBM. CNBM will allot and issue not more than 989,525,898 new CNBM H Shares and 2,046,218,502 new CNBM Unlisted Shares (comprising 1,935,044,267 CNBM Domestic Shares and 111,174,235 CNBM Unlisted Foreign Shares) in exchange for all of Sinoma issued shares.

The following is an illustrative unaudited pro forma consolidated financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group.

The Unaudited Pro Forma Financial Information comprises the unaudited pro forma consolidated statements of financial position of the Enlarged Group as at 31 December 2017 and 31 December 2016, the unaudited pro forma consolidated statements of profit or loss and other comprehensive income of the Enlarged Group for the years ended 31 December 2017 and 31 December 2016, which have been prepared by the Directors in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Merger.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2017 is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2017, which has been based on the published announcement of annual results of the Group for the year ended 31 December 2017; (ii) the audited consolidated statement of financial position of Sinoma Group as at 31 December 2017, which has been based on the published announcement of annual results of the Sinoma Group for the year ended 31 December 2017; and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Merger had been completed on 31 December 2017.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Introduction *(continued)*

The preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2017 is based on (i) the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017, which have been based on the published announcement of annual results of the Group for the year ended 31 December 2017; (ii) the audited consolidated statement of profit or loss and other comprehensive income of Sinoma Group for the year ended 31 December 2017, which have been based on the published announcement of annual results of the Sinoma Group for the year ended 31 December 2017; and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Merger had been completed on 1 January 2017.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2016 is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2016, which has been extracted from the published announcement of annual results of the Group for the year ended 31 December 2017; (ii) the audited consolidated statement of financial position of Sinoma Group as at 31 December 2016, which has been extracted from the published announcement of annual results of the Sinoma Group for the year ended 31 December 2017; and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Merger had been completed on 31 December 2016.

The preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2016 is based on (i) the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016, which have been extracted from the published announcement of annual results of the Group for the year ended 31 December 2017; (ii) the audited consolidated statement of profit or loss and other comprehensive income of Sinoma Group for the year ended 31 December 2016, which have been extracted from the published announcement of annual results of the Sinoma Group for the year ended 31 December 2017; and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Merger had been completed on 1 January 2016.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purposes only. Because of its hypothetical nature, it may not purport to describe the results of operations, financial position of the Enlarged Group had the Merger been completed as at the respective dates to which it is made up to or at any future dates. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future results of operations and financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the published announcement of annual results of the Company and Sinoma for the year ended 31 December 2017. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Profit Or Loss And Other Comprehensive Income Of The Enlarged Group

For the year ended 31 December 2017

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017 *RMB'million* *(Note 1)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Sinoma Group for the year ended 31 December 2017 *RMB'million* *(Note 2)*	Pro forma adjustments Elimination of inter-company transactions *RMB'million* *(Note 3)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2017 *RMB'million*
Revenue	127,626	56,241	(499)	183,368
Cost of sales	(92,381)	(43,031)	445	(134,967)
Gross profit	35,245	13,210	(54)	48,401
Investment and other income, net	3,234	1,338	(36)	4,536
Selling and distribution costs	(8,160)	(2,203)	–	(10,363)
Administrative expenses	(12,072)	(6,703)	1	(18,774)
Finance costs, net	(9,735)	(1,153)	36	(10,852)
Share of profits of associates	1,052	4	–	1,056
Share of profits of joint venture	–	1	–	1
Profit before income tax	9,564	4,494	(53)	14,005
Income tax expense	(3,223)	(1,012)	–	(4,235)
Profit for the year	6,341	3,482	(53)	9,770

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Profit Or Loss And Other Comprehensive Income Of The Enlarged Group *(continued)*

For the year ended 31 December 2017

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017 *RMB'million* *(Note 1)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Sinoma Group for the year ended 31 December 2017 *RMB'million* *(Note 2)*	Pro forma adjustments Elimination of inter-company transactions *RMB'million* *(Note 3)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2017 *RMB'million*
Other comprehensive income/ (expense), net of tax:				
Items that will not be subsequently reclassified to profit or loss:				
Actuarial loss on defined benefit obligations	–	(7)	–	(7)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(5)	31	–	26
Changes in the fair value of available-for-sale financial assets, net	384	376	–	760
Shares of associates' other comprehensive (expenses)/income	(20)	1	–	(19)
Other comprehensive income for the year, net of tax	359	401	–	760
Total comprehensive income for the year	6,700	3,883	(53)	10,530

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Profit Or Loss And Other Comprehensive Income Of The Enlarged Group *(continued)*

For the year ended 31 December 2017

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017 *RMB'million* *(Note 1)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Sinoma Group for the year ended 31 December 2017 *RMB'million* *(Note 2)*	Pro forma adjustments Elimination of inter-company transactions *RMB'million* *(Note 3)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2017 *RMB'million*
Profit for the year attributable to:				
Owners of the Company	3,225	1,749	(50)	4,924
Holders of perpetual capital instruments	653	–	–	653
Non-controlling interests	2,463	1,733	(3)	4,193
	6,341	3,482	(53)	9,770
Total comprehensive income attributable to:				
Owners of the Company	3,604	2,128	(50)	5,682
Holders of perpetual capital instruments	653	–	–	653
Non-controlling interests	2,443	1,755	(3)	4,195
	6,700	3,883	(53)	10,530

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Financial Position Of The Enlarged Group

As at 31 December 2017

			Pro forma adjustments			
	Audited consolidated statement of financial position of the Group as at 31 December 2017 *RMB'million* *(Note 1)*	Unaudited consolidated statement of financial position of the Sinoma Group as at 31 December 2017 *RMB'million* *(Note 2)*	Elimination of inter-company transactions *RMB'million* *(Note 3)*	Elimination of balances *RMB'million* *(Note 4)*	Issuance of new shares and placement by the CNBM to merge with the Sinoma *RMB'million* *(Note 5)*	Unaudited consolidated statement of financial position of the Enlarged Group as at 31 December 2017 *RMB'million*
Non-current assets						
Property, plant and equipment	131,512	44,905	(1)	–	–	176,416
Prepaid lease payments	15,362	3,980	–	–	–	19,342
Goodwill	44,682	1,377	–	–	–	46,059
Other non-current assets	29,455	9,350	–	–	–	38,805
	221,011	59,612	(1)	–	–	280,622
Current assets						
Inventories	16,381	5,870	(52)	–	–	22,199
Trade and other receivables	83,255	23,551	–	(92)	–	106,714
Amounts due from related parties	6,069	554	–	(192)	–	6,431
Pledged bank deposits	8,190	3,145	–	–	–	11,335
Cash and cash equivalents	9,355	13,865	–	–	–	23,220
Other current assets	2,933	7	–	–	–	2,940
	126,183	46,992	(52)	(284)	–	172,839
Assets classified as held-for-sales	–	87	–	–	–	87
	126,183	47,079	(52)	(284)	–	172,926

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Financial Position Of The Enlarged Group *(continued)*

As at 31 December 2017

	Audited consolidated statement of financial position of the Group as at 31 December 2017	Unaudited consolidated statement of financial position of the Sinoma Group as at 31 December 2017	Pro forma adjustments: Elimination of inter-company transactions	Pro forma adjustments: Elimination of balances	Pro forma adjustments: Issuance of new shares and placement by the CNBM to merge with the Sinoma	Unaudited consolidated statement of financial position of the Enlarged Group as at 31 December 2017
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities						
Trade and other payables	53,116	30,928	–	(192)	–	83,852
Amounts due to related parties	8,147	1,117	–	(92)	–	9,172
Borrowings – amount due within one year	130,485	17,407	–	–	–	147,892
Obligations under finance leases	9,015	133	–	–	–	9,148
Current income tax liabilities	2,595	421	–	–	–	3,016
Other current liabilities	307	98	–	–	–	405
	203,665	50,104	–	(284)	–	253,485
Net current liabilities	(77,482)	(3,025)	(52)	–	–	(80,559)
Total assets less current liabilities	143,529	56,587	(53)	–	–	200,063
Non-current liabilities						
Borrowings – amount due after one year	45,944	15,369	–	–	–	61,313
Obligations under finance leases	9,016	1	–	–	–	9,017
Other non-current liabilities	3,189	1,903	–	–	–	5,092
	58,149	17,273	–	–	–	75,422
Net assets	85,380	39,314	(53)	–	–	124,641

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Financial Position Of The Enlarged Group *(continued)*

As at 31 December 2017

			Pro forma adjustments			
	Audited consolidated statement of financial position of the Group as at 31 December 2017 *RMB'million* *(Note 1)*	Unaudited consolidated statement of financial position of the Sinoma Group as at 31 December 2017 *RMB'million* *(Note 2)*	Elimination of inter-company transactions *RMB'million* *(Note 3)*	Elimination of balances *RMB'million* *(Note 4)*	Issuance of new shares and placement by the CNBM to merge with the Sinoma *RMB'million* *(Note 5)*	Unaudited consolidated statement of financial position of the Enlarged Group as at 31 December 2017 *RMB'million*
Capital and reserves						
Share capital	5,399	3,571	–	–	(536)	8,434
Reserves	39,843	15,588	(50)	–	536	55,917
Equity attributable to						
Owners of the Company	45,242	19,159	(50)	–	–	64,351
Holders of perpetual capital instruments	16,716	–	–	–	–	16,716
Non-controlling interests	23,422	20,155	(3)	–	–	43,574
Total equity	85,380	39,314	(53)	–	–	124,641

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

For the year ended 31 December 2017

1. The audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 and the audited consolidated statement of financial position as at 31 December 2017 of the Group are set out in the consolidated financial statements on page 148 to 151 of this annual report.

2. The unaudited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 and the unaudited consolidated statement of financial position as at 31 December 2017 of the Sinoma Group were extracted from the published announcement of annual results of the Sinoma for the year ended 31 December 2017, with certain adjustments for conversion into International Financial Reporting Standards ("IFRSs") as if it had been prepared in accordance with the accounting policies presently adopted by the CNBM which are in compliance with IFRSs, and certain figures have been reclassified to conform to the accounting policies and the presentation of the CNBM's audited financial statements for the year ended 31 December 2017.

3. The adjustment represents the elimination of inter-company transactions among the Group and Sinoma Group for the year ended 31 December 2017.

4. The adjustment represents the elimination of inter-company receivables and payables between the Group and the Sinoma Group as at 31 December 2017.

5. The adjustment represents the estimated financial impact of issuing new H shares and unlisted shares of CNBM in exchange for all issued shares of Sinoma as at 31 December 2017 and the elimination of the CNBM's investment in the Sinoma using merger accounting. The adjustments as at 31 December 2017 include (i) a net decrease in share capital of RMB535,719,600 representing the issuance of 989,525,898 new H shares of CNBM and 2,046,218,502 new unlisted shares (comprising 1,935,044,267 domestic shares and 111,174,235 unlisted foreign shares) of CNBM at par value of RMB1 each issued at an exchange ratio of 1 Sinoma Share to 0.85 CNBM Share less elimination of share capital of Sinoma of RMB3,571,464,000 as at 31 December 2017, (ii) a resulting adjustment to reserves as the Merger represents the merger under common control and all differences between the total consideration shares paid and net assets of Sinoma Group will be adjusted in equity.

6. Except for RMB172 million which have already been recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 of the Enlarged Group, no other expenses directly attributable to the Merger have been accounted for in the preparation of the unaudited pro forma financial information.

7. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position and unaudited pro forma consolidated statement of profit or loss and other comprehensive income to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2017 where applicable.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Profit Or Loss And Other Comprehensive Income Of The Enlarged Group

For the year ended 31 December 2016

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016	Unaudited consolidated statement of profit or loss and other comprehensive income of the Sinoma Group for the year ended 31 December 2016	Pro forma adjustments Elimination of inter-company transactions	Unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2016
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Revenue	101,547	49,971	(234)	151,284
Cost of sales	(74,756)	(40,460)	211	(115,005)
Gross profit	26,791	9,511	(23)	36,279
Investment and other income, net	3,638	1,101	–	4,739
Selling and distribution costs	(7,239)	(2,118)	–	(9,357)
Administrative expenses	(10,612)	(5,301)	1	(15,912)
Finance costs, net	(9,294)	(1,508)	–	(10,802)
Share of profits of associates	763	13	–	776
Share of profits of joint venture	–	1	–	1
Profit before income tax	4,047	1,699	(22)	5,724
Income tax expense	(1,238)	(549)	–	(1,787)
Profit for the year	2,809	1,150	(22)	3,937

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Profit Or Loss And Other Comprehensive Income Of The Enlarged Group *(continued)*

For the year ended 31 December 2016

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016 *RMB'million* *(Note 1)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Sinoma Group for the year ended 31 December 2016 *RMB'million* *(Note 2)*	Pro forma adjustments Elimination of inter-company transactions *RMB'million* *(Note 3)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2016 *RMB'million*
Other comprehensive (expenses)/ income, net of tax:				
Items that will not be subsequently reclassified to profit or loss:				
Actuarial loss on defined benefit obligations	–	(1)	–	(1)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	–	96	–	96
Changes in the fair value of available-for-sale financial assets, net	(497)	(310)	–	(807)
Shares of associates' other comprehensive income/(expense)	14	(3)	–	11
Other comprehensive expenses for the year, net of tax	(483)	(218)	–	(701)
Total comprehensive income for the year	2,326	932	(22)	3,236

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Profit Or Loss And Other Comprehensive Income Of The Enlarged Group *(continued)*

For the year ended 31 December 2016

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016 *RMB'million* *(Note 1)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Sinoma Group for the year ended 31 December 2016 *RMB'million* *(Note 2)*	Pro forma adjustments Elimination of inter-company transactions *RMB'million* *(Note 3)*	Unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2016 *RMB'million*
Profit for the year attributable to:				
Owners of the Company	1,048	582	(21)	1,609
Holders of perpetual capital instruments	527	–	–	527
Non-controlling interests	1,234	568	(1)	1,801
	2,809	1,150	(22)	3,937
Total comprehensive income attributable to:				
Owners of the Company	550	482	(21)	1,011
Holders of perpetual capital instruments	527	–	–	527
Non-controlling interests	1,249	450	(1)	1,698
	2,326	932	(22)	3,236

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Financial Position Of The Enlarged Group

As at 31 December 2016

			Pro forma adjustments			
	Audited consolidated statement of financial position of the Group as at 31 December 2016 *RMB'million* *(Note 1)*	Unaudited consolidated statement of financial position of the Sinoma Group as at 31 December 2016 *RMB'million* *(Note 2)*	Elimination of inter-company transactions *RMB'million* *(Note 3)*	Elimination of balances *RMB'million* *(Note 4)*	Issuance of new shares and placement by the CNBM to merge with the Sinoma *RMB'million* *(Note 5)*	Unaudited consolidated statement of financial position of the Enlarged Group as at 31 December 2016 *RMB'million*
Non-current assets						
Property, plant and equipment	129,096	45,175	(1)	–	–	174,270
Prepaid lease payments	14,661	4,058	–	–	–	18,719
Goodwill	42,604	1,525	–	–	–	44,129
Other non-current assets	29,747	7,594	–	–	–	37,341
	216,108	58,352	(1)	–	–	274,459
Current assets						
Inventories	15,205	6,167	(21)	–	–	21,351
Trade and other receivables	76,582	20,063	–	(111)	–	96,534
Amounts due from related parties	11,929	257	–	(42)	–	12,144
Pledged bank deposits	7,974	2,435	–	–	–	10,409
Cash and cash equivalents	10,252	15,508	–	–	–	25,760
Other current assets	2,737	5	–	–	–	2,742
	124,679	44,435	(21)	(153)	–	168,940
Assets classified as held-for-sales	–	42	–	–	–	42
	124,679	44,477	(21)	(153)	–	168,982

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Financial Position Of The Enlarged Group *(continued)*

As at 31 December 2016

	Audited consolidated statement of financial position of the Group as at 31 December 2016 *RMB'million* *(Note 1)*	Unaudited consolidated statement of financial position of the Sinoma Group as at 31 December 2016 *RMB'million* *(Note 2)*	Pro forma adjustments: Elimination of inter-company transactions *RMB'million* *(Note 3)*	Pro forma adjustments: Elimination of balances *RMB'million* *(Note 4)*	Pro forma adjustments: Issuance of new shares and placement by the CNBM to merge with the Sinoma *RMB'million* *(Note 5)*	Unaudited consolidated statement of financial position of the Enlarged Group as at 31 December 2016 *RMB'million*
Current liabilities						
Trade and other payables	49,361	31,237	–	(42)	–	80,556
Amounts due to related parties	6,108	144	–	(111)	–	6,141
Borrowings – amount due within one year	140,802	21,174	–	–	–	161,976
Obligations under finance leases	4,935	160	–	–	–	5,095
Current income tax liabilities	1,886	272	–	–	–	2,158
Other current liabilities	369	127	–	–	–	496
	203,461	53,114	–	(153)	–	256,422
Net current liabilities	(78,782)	(8,637)	(21)	–	–	(87,440)
Total assets less current liabilities	137,326	49,715	(22)	–	–	187,019
Non-current liabilities						
Borrowings – amount due after one year	44,492	11,707	–	–	–	56,199
Obligations under finance leases	14,141	134	–	–	–	14,275
Other non-current liabilities	3,150	1,949	–	–	–	5,099
	61,783	13,790	–	–	–	75,573
Net assets	75,543	35,925	(22)	–	–	111,446

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Unaudited Pro Forma Consolidated Statement Of Financial Position Of The Enlarged Group *(continued)*

As at 31 December 2016

	Audited consolidated statement of financial position of the Group as at 31 December 2016 *RMB'million* *(Note 1)*	Unaudited consolidated statement of financial position of the Sinoma Group as at 31 December 2016 *RMB'million* *(Note 2)*	Pro forma adjustments: Elimination of inter-company transactions *RMB'million* *(Note 3)*	Pro forma adjustments: Elimination of balances *RMB'million* *(Note 4)*	Pro forma adjustments: Issuance of new shares and placement by the CNBM to merge with the Sinoma *RMB'million* *(Note 5)*	Unaudited consolidated statement of financial position of the Enlarged Group as at 31 December 2016 *RMB'million*
Capital and reserves						
Share capital	5,399	3,571	–	–	(536)	8,434
Reserves	36,434	13,467	(21)	–	536	50,416
Equity attributable to						
Owners of the Company	41,833	17,038	(21)	–	–	58,850
Holders of perpetual capital instruments	12,004	–	–	–	–	12,004
Non-controlling interests	21,706	18,887	(1)	–	–	40,592
Total equity	75,543	35,925	(22)	–	–	111,446

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

For the year ended 31 December 2016

1. The audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 and the audited consolidated statement of financial position as at 31 December 2016 of the Group are set out in the consolidated financial statements on pages 148 to 151 of this annual report.

2. The unaudited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 and the unaudited consolidated statement of financial position as at 31 December 2016 of the Sinoma Group were extracted from the published announcement of annual results of the Sinoma for the year ended 31 December 2017, with certain adjustments for conversion into IFRSs as if it had been prepared in accordance with the accounting policies presently adopted by the CNBM which are in compliance with IFRSs, and certain figures have been reclassified to conform to the accounting policies and the presentation of the CNBM's audited financial statements for the year ended 31 December 2016.

3. The adjustment represents the elimination of inter-company transactions among the Group and Sinoma Group for the year ended 31 December 2016.

4. The adjustment represents the elimination of inter-company receivables and payables between the Group and the Sinoma Group as at 31 December 2016.

5. The adjustment represents the estimated financial impact of issuing new H shares and unlisted shares of CNBM in exchange for all issued shares of Sinoma as at 31 December 2016 and the elimination of the CNBM's investment in the Sinoma using merger accounting. The adjustments as at 31 December 2016 include (i) a net decrease in share capital of RMB535,719,600 representing the issuance of 989,525,898 new H shares of CNBM and 2,046,218,502 new unlisted shares (comprising 1,935,044,267 domestic shares and 111,174,235 unlisted foreign shares) of CNBM at par value of RMB1 each issued at an exchange ratio of 1 Sinoma Share to 0.85 CNBM Share less elimination of share capital of Sinoma of RMB3,571,464,000 as at 31 December 2016, (ii) a resulting adjustment to reserves as the Merger represents the merger under common control and all differences between the total consideration shares paid and net assets of Sinoma Group will be adjusted in equity.

6. The expenses directly attributable to the Merger have not been accounted for in the preparation of the unaudited pro forma financial information.

7. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position and unaudited pro forma consolidated statement of profit or loss and other comprehensive income to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2016 where applicable.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of the independent reporting accountants' assurance report received from Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Enlarged Group's unaudited pro forma financial information prepared for the purpose of incorporation in this annual report.

BAKER TILLY
HONG KONG | 天職香港

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To The Directors of China National Building Material Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China National Building Material Company Limited (the "CNBM" or "Company") and its subsidiaries (collectively referred to as the "Group"), and China National Materials Company Limited (the "Sinoma") and its subsidiaries (collectively referred to as the "Sinoma Group") (the Group and the Sinoma Group are collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statements of financial position as at 31 December 2017 and 31 December 2016, the unaudited pro forma consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2017 and 31 December 2016 and related notes as set out on pages 120 to 135 of the published annual report for the year ended 31 December 2017 (the "Annual Report") issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 120 to 135 of the Annual Report.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the merger with Sinoma (the "Merger") on the Group's financial position as at 31 December 2017 and 31 December 2016 as if the Merger had taken place at 31 December 2017 and 31 December 2016 respectively and its financial performance for the years ended 31 December 2017 and 31 December 2016 as if the Merger had taken place at 1 January 2017 and 1 January 2016 respectively. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2017, on which audit reports have been published.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION *(continued)*

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the CNBM Directors have compiled the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION *(continued)*

Reporting Accountant's Responsibilities *(continued)*

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Annual Report is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017, 31 December 2016, 1 January 2017 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– the related pro forma adjustments give appropriate effect to those criteria; and

– the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP *(CONTINUED)*

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION *(continued)*

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 23 March 2018

Gao Yajun
Practicing certificate number P06391

BAKER TILLY
HONG KONG | 天職香港

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

OPINION

We have audited the consolidated financial statements of China National Building Material Company Limited and its subsidiaries (together the "Group") set out on pages 148 to 294, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of property, plant and equipment

Refer to Note 15 to the consolidated financial statements

Key audit matter

We identified the valuation and impairment of property, plant and equipment as a key audit matter due to the significance of the property, plant and equipment balances to the consolidated statement of financial position and the involvement of significant management judgements in the impairment assessment, including assessments of estimated utilisation of the assets, disposal values and discount rates applied to future cash flows.

As at 31 December 2017, the Group has property, plant and equipment with aggregate carrying values of RMB131,511.65 million, accounting for approximately 37.88% of the Group's total assets.

Management has performed an impairment review on the property, plant and equipment with reference to a review of the business, the outlook for the industry and the Group's operating plans. An impairment provision of RMB253.90 million has been recorded to reduce the carrying values of certain property, plant and equipment to their estimated recoverable values, which is the higher of fair value less costs of disposal and value in use. For the remaining property, plant and equipment which management concluded that the recoverable amount was higher than their carrying values, no impairment provision was required.

How our audit addressed the Key Audit Matter

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

- assessing the methodologies used by the management to estimate value in use;
- checking on a sample basis the accuracy and relevance of the data used by management to estimate values in use;
- assessing management's key assumptions used to estimate values in use based on our understanding of the industry of the cement and concrete manufacturing;
- considering the potential impact of reasonably possible downside-changes in these key assumptions; and
- assessing the fair value less costs of disposal.

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

KEY AUDIT MATTERS *(CONTINUED)*

Valuation and impairment of goodwill

Refer to Note 18 to the consolidated financial statements

Key audit matter

We identified the valuation and impairment of goodwill as a key audit matter due to the significance of the goodwill balance to the consolidated financial statements, combined with the significant degree of judgement by the management associated with the determination of the recoverable amount of goodwill in the annual impairment test.

As at 31 December 2017, the Group has goodwill of RMB44,682.35 million, accounting for approximately 12.87% of the Group's total assets.

The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated, which is the higher of the value in use or fair value less costs of disposal.

Impairment loss of RMB245.04 million and RMB12.34 million have been recorded in respect of the goodwill allocated to the cement segment and new materials segment respectively during the year.

Management's conclusion was based on a value in use model that required significant management judgements including those relating to:

– estimated values used in the model for a valuation, provided by an independent external valuer; and

– the discount rate used and the underlying cash flows arising estimate of future revenue growth applied to the estimated future cash flows.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's impairment assessment of goodwill of the cement and concrete segments included:

– evaluating the independent external valuers' competence, and capabilities and the objectives of their exercise;

– assessing the valuation methodology;

– considering the historical financial performance and growth rates of the relevant cash-generating units;

– challenging the reasonableness of both management's and valuer's key assumptions based on our understanding of the business and industry; and

– reconciling input data and relevant factors to supporting evidences.

We found the assumptions made by the external valuers and management in relation to the value in use calculations to be reasonable based on available evidence. The significant inputs involved have been appropriately disclosed in Note 18.

KEY AUDIT MATTERS *(CONTINUED)*

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

Refer to Note 22 to the consolidated financial statements

Key audit matter

We identified the valuation and impairment of available-for-sale financial assets – equity shares in Shanshui Cement as a key audit matter due to the significant balance and management judgements in the impairment assessment.

As at 31 December 2017, the Group held a 16.67% equity investment (563,190,040 shares) in Shanshui Cement, with carrying value of RMB732.23 million.

Shanshui Cement is listed on Main Board of The Stock Exchange of Hong Kong Limited ("HKEX"). However, trading in its shares on the HKEX has been suspended since 16 April 2015. On 23 October 2017, The Stock Exchange of Hong Kong Limited ("Stock Exchange") notified Shanshui Cement, among others, its intention to commence procedures to cancel the listing of Shanshui Cement under Rule 6.01(1) and/or (4) by issuing an announcement under Rule 6.10 to provide Shanshui Cement further time until 30 June 2018 to restore the public float and resolve the matters rendering it unsuitable for listing, failing which the Stock Exchange will recommend the Listing Committee to proceed with the cancellation of the Shanshui Cement's listing.

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

The management has concluded that there is no impairment in respect of the value of investment in Shanshui Cement. This conclusion was based on a valuation applying market approach listed company comparison method, that requires significant management judgement with respect to:

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

KEY AUDIT MATTERS *(CONTINUED)*

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

Refer to Note 22 to the consolidated financial statements *(Continued)*

How our audit addressed the Key Audit Matter

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

– evaluating the independent external valuers' competence, capabilities and objectives;

– assessing the valuation methodology;

– challenging the reasonableness of key assumptions based on our knowledge of Shanshui Cement; and

– reconciling input data and relevant parameters to supporting evidences.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 23 March 2018

Gao Yajun
Practising certificate number P06391

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000 (Restated)
Revenue	6	**127,626,322**	101,546,783
Cost of sales		**(92,381,098)**	(74,755,173)
Gross profit		**35,245,224**	26,791,610
Investment and other income, net	8	**3,234,183**	3,638,158
Selling and distribution costs		**(8,160,125)**	(7,239,443)
Administrative expenses		**(12,072,311)**	(10,612,378)
Finance costs, net	9	**(9,735,438)**	(9,293,512)
Share of profits of associates	21	**1,051,501**	763,260
Profit before income tax	11	**9,563,034**	4,047,695
Income tax expense	12	**(3,222,894)**	(1,238,192)
Profit for the year		**6,340,140**	2,809,503
Profit attributable to:			
Owners of the Company		**3,224,802**	1,048,098
Holders of perpetual capital instruments		**652,530**	527,103
Non-controlling interests		**2,462,808**	1,234,302
		6,340,140	2,809,503
		RMB	*RMB*
Earnings per share – basic and diluted	14	**0.597**	0.194

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Profit for the year	**6,340,140**	2,809,503
Other comprehensive expenses, net of tax: (Note 12(b))		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(4,649)**	276
Changes in fair value of available-for-sale financial assets, net	**384,467**	(497,021)
Shares of associates' other comprehensive (expense)/income	**(19,517)**	14,019
Other comprehensive income/(expenses) for the year, net of tax	**360,301**	(482,726)
Total comprehensive income for the year	**6,700,441**	2,326,777
Total comprehensive income attributable to:		
Owners of the Company	**3,604,182**	550,400
Holders of perpetual capital instruments	**652,530**	527,103
Non-controlling interests	**2,443,729**	1,249,274
Total comprehensive income for the year	**6,700,441**	2,326,777

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	**2017**	2016	2015
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment	15	**131,511,649**	129,095,730	126,238,085
Prepaid lease payments	16	**15,361,805**	14,660,619	14,512,689
Investment properties	17	**303,023**	333,500	341,827
Goodwill	18	**44,682,354**	42,604,255	42,604,255
Intangible assets	19	**7,805,299**	7,259,784	7,144,897
Interests in associates	21	**10,283,138**	10,715,153	10,347,973
Available-for-sale financial assets	22	**3,479,659**	3,095,655	3,331,163
Deposits	24	**2,854,836**	3,522,251	4,213,178
Deferred income tax assets	32	**4,729,030**	4,821,436	4,015,509
		221,010,793	216,108,383	212,749,576
Current assets				
Inventories	25	**16,381,022**	15,204,778	15,164,523
Trade and other receivables	26	**83,254,550**	76,582,356	69,718,172
Available-for-sale financial assets	22	**54,500**	43,998	132,480
Financial assets at fair value through profit or loss	23	**2,878,711**	2,692,941	3,084,343
Amounts due from related parties	27	**6,068,783**	11,929,052	12,695,740
Pledged bank deposits	29	**8,190,061**	7,973,769	5,746,301
Cash and cash equivalents	29	**9,355,281**	10,252,050	10,584,099
		126,182,908	124,678,944	117,125,658
Current liabilities				
Trade and other payables	30	**53,116,459**	49,360,883	46,309,823
Amounts due to related parties	27	**8,147,485**	6,108,064	7,392,610
Borrowings – amount due within one year	31	**130,485,081**	140,802,387	144,425,583
Obligations under finance leases	33	**9,015,132**	4,935,082	4,456,608
Current income tax liabilities		**2,594,784**	1,885,842	1,652,014
Financial guarantee contracts	34	**56,838**	56,981	56,981
Dividend payable to non-controlling interests		**249,544**	311,380	216,528
		203,665,323	203,460,619	204,510,147
Net current liabilities		**(77,482,415)**	(78,781,675)	(87,384,489)
Total assets less current liabilities		**143,528,378**	137,326,708	125,365,087

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000 (Restated)	2015 RMB'000 (Restated)
Non-current liabilities				
Borrowings – amount due after one year	31	**45,944,115**	44,492,436	30,501,188
Deferred income		**922,312**	968,633	1,108,573
Obligations under finance lases	33	**9,015,699**	14,141,494	18,150,330
Deferred income tax liabilities	32	**2,266,878**	2,180,470	2,124,057
		58,149,004	61,783,033	51,884,148
Net assets		**85,379,374**	75,543,675	73,480,939
Capital and reserves				
Share capital	35	**5,399,026**	5,399,026	5,399,026
Reserves		**39,842,063**	36,434,035	36,509,959
Equity attributable to				
Owners of the Company		**45,241,089**	41,833,061	41,908,985
Perpetual capital instruments	37	**16,716,270**	12,003,686	9,994,863
Non-controlling interests		**23,422,015**	21,706,928	21,577,091
Total equity		**85,379,374**	75,543,675	73,480,939

The consolidated financial statements on pages 148 to 294 were approved and authorised for issue by the Board of Directors on 23 March 2018 and were signed on its behalf by:

Song Zhiping
Director

Cao Jianglin
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve (Note 36(a))	Statutory surplus reserve fund (Note 36(b))	Fair value reserve (Note 36(c))	Exchange reserve	Retained earnings	Total	Perpetual capital instruments (Note 37)	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016											
As previously reported	5,399,026	4,824,481	1,630,676	2,376,089	48,100	(161,534)	27,798,845	41,915,683	9,994,863	21,581,514	73,492,060
– Adjustment for business combination under common control (Note 40)	–	–	10,000	–	–	–	(16,698)	(6,698)	–	(4,423)	(11,121)
As restated	5,399,026	4,824,481	1,640,676	2,376,089	48,100	(161,534)	27,782,147	41,908,985	9,994,863	21,577,091	73,480,939
Profit for the year (Restated)	–	–	–	–	–	–	1,048,098	1,048,098	527,103	1,234,302	2,809,503
Other comprehensive income/(expense), net of tax (Note 12(b))											
Currency translation differences	–	–	(3,161)	–	–	(13,295)	–	(16,456)	–	16,732	276
Changes in fair value of available-for-sale financial assets, net	–	–	–	–	(495,261)	–	–	(495,261)	–	(1,760)	(497,021)
Share of associates' other comprehensive income/(expenses)	–	–	(618)	–	–	14,637	–	14,019	–	–	14,019
Total comprehensive income/(expenses) for the year (Restated)	–	–	(3,779)	–	(495,261)	1,342	1,048,098	550,400	527,103	1,249,274	2,326,777
Dividends (Note 13)	–	–	–	–	–	–	(199,764)	(199,764)	–	–	(199,764)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(822,373)	(822,373)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 38(a))	–	–	–	–	–	–	–	–	–	17,594	17,594
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	83,000	83,000
Appropriation to statutory reserve	–	–	–	537,412	–	–	(537,412)	–	–	–	–
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	–	1,998,220	–	1,998,220
Share of reserves in associates	–	–	8,736	–	–	–	–	8,736	–	(1,145)	7,591
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	–	(516,500)	–	(516,500)
Deemed partial disposal of interest in subsidiaries without losing control (Note 39(b))	–	–	2,252,945	–	–	–	–	2,252,945	–	1,931,316	4,184,261
Decrease in non-controlling interests as result of acquisition of additional interest in subsidiaries without change in control (Note 39(a))	–	–	(2,674,700)	–	–	–	–	(2,674,700)	–	(2,313,350)	(4,988,050)
Others	–	–	(12,249)	(1,292)	–	–	–	(13,541)	–	(14,479)	(28,020)
Balance at 31 December 2016	5,399,026	4,824,481	1,211,629	2,912,209	(447,161)	(160,192)	28,093,069	41,833,061	12,003,686	21,706,928	75,543,675

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve (Note 36(a))	Statutory surplus reserve fund (Note 36(b))	Fair value reserve (Note 36(c))	Exchange reserve	Retained earnings	Total	Perpetual capital instruments (Note 37)	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017											
As previous reported	5,399,026	4,824,481	1,201,629	2,912,209	(447,161)	(160,192)	28,119,840	41,849,832	12,003,686	21,714,019	75,567,537
– Adjustment for business combination under common control (Note 40)	–	–	10,000	–	–	–	(26,771)	(16,771)	–	(7,091)	(23,862)
As restated	5,399,026	4,824,481	1,211,629	2,912,209	(447,161)	(160,192)	28,093,069	41,833,061	12,003,686	21,706,928	75,543,675
Profit for the year	–	–	–	–	–	–	3,224,802	3,224,802	652,530	2,462,808	6,340,140
Other comprehensive (expense)/income, net of tax (Note 12(b))											
Currency translation differences	–	–	–	–	–	6,029	–	6,029	–	(10,678)	(4,649)
Changes in fair value of available-for-sale financial assets, net	–	–	–	–	392,868	–	–	392,868	–	(8,401)	384,467
Share of associates' other comprehensive expenses	–	–	(29,171)	–	–	9,654	–	(19,517)	–	–	(19,517)
Total comprehensive income/(expenses) for the year	–	–	(29,171)	–	392,868	15,683	3,224,802	3,604,182	652,530	2,443,729	6,700,441
Dividends (Note 13)	–	–	–	–	–	–	(232,158)	(232,158)	–	–	(232,158)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(874,495)	(874,495)
Disposal of subsidiaries (Note 38(b))	–	–	–	–	–	–	–	–	–	(2,701)	(2,701)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 38(a))	–	–	–	–	–	–	–	–	–	94,392	94,392
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	61,178	61,178
Appropriation to statutory reserve	–	–	–	240,323	–	–	(240,323)	–	–	–	–
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	–	4,662,750	–	4,662,750
Share of reserve in associates	–	–	12,685	–	–	–	–	12,685	–	–	12,685
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	–	(602,696)	–	(602,696)
Deemed partial disposal of interest in subsidiaries without losing control (Note 39(b))	–	–	(8,349)	–	–	–	–	(8,349)	–	8,349	–
Decrease in non-controlling interests as result of acquisition of additional interest in subsidiaries without change in control (Note 39(a))	–	–	(3,871)	–	–	–	–	(3,871)	–	(19,399)	(23,270)
Business combination under common control	–	–	(7,189)	–	–	–	–	(7,189)	–	7,071	(118)
Contribution from former shareholders of a subsidiary related to business combination under common control	–	–	23,300	–	–	–	–	23,300	–	–	23,300
De-registration of a subsidiary	–	–	–	–	–	–	–	–	–	(6,009)	(6,009)
Others	–	–	19,428	–	–	–	–	19,428	–	2,972	22,400
Balance at 31 December 2017	5,399,026	4,824,481	1,218,462	3,152,532	(54,293)	(144,509)	30,845,390	45,241,089	16,716,270	23,422,015	85,379,374

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Operating activities		
Profit before income tax	**9,563,034**	4,047,695
Adjustments for:		
Dividends from available-for-sale financial assets	**(37,539)**	(40,201)
Discount on acquisition of interests in subsidiaries	**(216,132)**	(3,097)
Gain on disposal of subsidiaries, net	**(144,015)**	–
Decrease in fair value of financial assets at fair value through profit or loss, net	**15,230**	71,402
Gain on disposal of interests in associates	**(78,972)**	(239,249)
Gain on disposal of other investments	**(12,066)**	(1,377)
Waiver of payables	**(182,206)**	(120,990)
Finance costs	**10,034,067**	9,958,761
Interest income	**(298,629)**	(665,249)
Depreciation of property, plant and equipment and investment properties	**7,337,253**	7,182,279
Amortisation of intangible assets	**437,000**	435,167
Impairment loss on available-for-sale financial assets	**774**	1,512
Impairment loss on goodwill	**257,377**	–
Impairment loss on property, plant and equipment recognised	**253,900**	206,570
Prepaid lease payments released to the consolidated statement of profit or loss	**428,419**	378,047
Loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**429,191**	35,114
Allowance for bad and doubtful debts	**981,193**	1,160,237
Write down of inventories	**9,989**	20,329
Net foreign exchange losses	**120,404**	69,115
Share of profits of associates	**(1,051,501)**	(763,260)
Deferred income released to the consolidated statement of profit or loss	**(148,114)**	(108,403)
Operating cash flows before working capital changes	**27,698,657**	21,624,402
Increase in inventories	**(806,120)**	(60,168)
Increase in trade and other receivables	**(3,622,579)**	(6,078,299)
Decrease in amounts due from related parties	**269,201**	492,869
Increase in trade and other payables	**701,269**	1,276,560
Decrease in amounts due to related parties	**(8,157)**	(738,759)
Decrease in deferred income	**101,793**	(31,537)
Cash generated from operations	**24,334,064**	16,485,068

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2017

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Cash generated from operations	**24,334,064**	16,485,068
Income tax paid	**(2,362,575)**	(1,759,746)
Interest received	**298,629**	665,249
Net cash generated from operating activities	**22,270,118**	15,390,571
Investing activities		
Purchase of available-for-sale financial assets	**(251,647)**	(174,108)
Purchase of financial assets at fair value through profit or loss	**(201,000)**	(2,500,000)
Purchase of property, plant and equipment	**(8,263,981)**	(10,845,271)
Purchase of intangible assets	**(911,939)**	(626,527)
Purchase of investment properties	**–**	(1,828)
Proceed on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**554,822**	663,866
Acquisition of interests in associates	**(65,353)**	–
Dividend received from associates	**763,643**	133,741
Proceed from disposal of associates	**264,079**	523,206
Proceed from disposal of subsidiaries, net of cash and cash equivalents	**69,305**	–
Proceed on disposal of available-for-sale financial assets	**78,907**	36,400
Proceed on disposal of financial assets at fair value through profit or loss	**–**	2,820,000
Dividend received from available-for-sale financial assets	**37,539**	40,201
Deposits paid	**(2,854,836)**	(3,522,251)
Deposits refunded	**3,522,251**	4,213,178
Payment for prepaid lease payments	**(652,782)**	(683,021)
(Payment for)/proceed from acquisition of subsidiaries, net of cash and cash equivalents acquired	**(525,972)**	30,427
Advance from related parties	**1,431,876**	273,819
Other proceeds/(payments) for investing activities	**492,739**	(520,743)
Increase in pledged bank deposits	**(209,292)**	(2,221,967)
Net cash used in investing activities	**(6,721,641)**	(12,360,878)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Financing activities		
Proceed from issue of perpetual capital instruments, net of issuance cost	**4,662,750**	1,998,220
Interest paid	**(10,151,119)**	(9,849,439)
Interest paid on perpetual capital instruments paid	**(602,696)**	(516,500)
Dividend paid to shareholders	**(232,158)**	(199,764)
Dividend paid to non-controlling interests of subsidiaries	**(874,691)**	(822,373)
Payment for acquisition of additional interests in subsidiaries	**(270)**	(303,604)
Contributions from non-controlling interests	**61,178**	12,200
Repayment of borrowings	**(196,535,309)**	(192,636,184)
Other payments for financing activities	**–**	(30,188)
New borrowings raised	**187,734,167**	203,725,058
Increase/(decrease) in amounts due to related parties	**512,882**	(545,787)
Decrease in obligations under finance leases	**(1,045,745)**	(4,267,634)
Net cash used in from financing activities	**(16,471,011)**	(3,435,995)
Net decrease in cash and cash equivalents	**(922,534)**	(406,302)
Exchange gain on cash and cash equivalents	**25,765**	74,253
Cash and cash equivalents at beginning of the year	**10,252,050**	10,584,099
Cash and cash equivalents at end of the year	**9,355,281**	10,252,050

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

1 GENERAL INFORMATION

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

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

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

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

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

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

2.1 Application of new and amendments to IFRSs

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle

The application of these amendments to IFRSs in the current year had no material impact on the Group's financial performance and positions for the years presented.

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

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

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance contracts[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle[1]
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the following new and amendments to IFRSs, the directors of the Company are of the view that the application of these new and amendments to but not yet effective IFRSs will not have a significant impact on the consolidated financial statements:

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

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

IFRS 9 Financial Instruments *(continued)*

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

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate to have potential impact on initial application of IFRS 9 in respect of listed equity securities classified as available-for-sale investment carried at fair value and equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 22. These securities will qualify for designation as measured at FVTOCI under IFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, fair value reserve of RMB54.29 million in debit related to these available-for-sale investments will be transferred to retained earnings at 1 January 2018.

The other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the consolidated financial statements in the foreseeable future.

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

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

IFRS 16 Leases

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

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

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

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

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

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

IFRS 16 Leases *(continued)*

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB72.40 million as disclosed in Note 43. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payments, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation *(continued)*

Business combination under common control

On 20 May 2017, one of the indirect subsidiaries of the Group, South New Materials Technology Company Limited (南方新材料科技有限公司) ("South New Materials") entered into an equity transfer agreement to acquire 51% and 49% equity interests of Zhuzhou Sinoma Concrete Co., Ltd. (株洲中材混凝土有限公司) ("Zhuzhou Sinoma Concrete") from Suzhou Concrete Cement Products Academy Co., Ltd. (蘇州混凝土水泥制品研究院有限公司) ("Suzhou Concrete Cement") and Sinoma Zhuzhou Cement Co., Ltd. (中材株洲水泥有限責任公司) ("Sinoma Zhuzhou Cement") at cash consideration of approximately RMB60,000 and RMB58,000, respectively, ("the Acquisition") and thus Zhuzhou Sinoma Concrete has become a subsidiary of the Group since then.

As Suzhou Concrete Cement, Sinoma Zhuzhou Cement and the Group are controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC"), the Acquisition has been accounted for based on the principles of merger accounting. The consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years presented. The opening balance at 1 January 2016 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2016.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Basis of consolidation

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Basis of consolidation *(continued)*

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

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

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

3.3 Business combinations

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.3 Business combinations *(continued)*

3.3.2 Merger accounting for business combination involving entities under common control

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.3.1 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.5 Investments in associates

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.6 Segment reporting

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

3.7 Revenue recognition

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

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

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

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

Other service income is recognised when the services are provided.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.8 Construction contracts

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

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

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

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

3.9 Leasing

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

The Group as lessor

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.9 Leasing *(continued)*

The Group as lessee

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

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

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

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

Leasehold land and building

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.10 Foreign currencies

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.11 Borrowing costs

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

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

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

3.12 Government grants

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.13 Retirement benefits costs and short-term employee benefits

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

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

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

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

3.14 Cash-settled share-based payment transactions

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Taxation

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.16 Property, plant and equipment

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.17 Investment properties

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

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

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

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

3.18 Intangible assets

Patents

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

Trademarks

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

Mining rights

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.19 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3.20 Inventories

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.21 Provisions

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

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

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

3.22 Financial instruments

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

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

Financial assets

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

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

Financial assets at FVTPL

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL *(continued)*

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

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

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

Held-to-maturity investments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

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

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

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

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

Loans and receivables

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

Derecognition of financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments

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

Equity and perpetual capital instruments

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

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL *(continued)*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Financial guarantee contract

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

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

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies above.

Other financial liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.22 Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

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

Derecognition of financial liabilities

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

3.23 Dividend distribution

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

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.24 Related parties

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

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3.25 Comparatives

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

As described in Note 3, in the application of the Group's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

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

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

BNBM is a subsidiary of the Group although the Group has only 35.73% (2016: 35.73%) equity interests and voting rights in BNBM. BNBM is listed on the stock exchange of Shenzhen, PRC. The Group has decreased the equity interests in BNBM to 35.73% from 45.2% since October 2016 and the remaining 64.27% equity interests are owned by thousands of shareholders that are unrelated to the Group. Details of BNBM are set out in Note 20.

The management of the Company assessed whether or not the Group has control over BNBM based on whether the Group has the practical ability to direct the relevant activities of BNBM unilaterally. In making the judgement, the management considered the Group's absolute size of holding in BNBM and the relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of BNBM and therefore the Group has control over BNBM.

Significant influence over Shanghai Yaohua Pikington Glass Group Co., Ltd. (上海耀皮玻璃集團股份有限公司) ("Shanghai Yaohua")

Note 21 describes that Shanghai Yaohua is an associate of the Group although the Group only owns 12.74% (2016: 12.74%) equity interests in Shanghai Yaohua. The Group has significant influence over Shanghai Yaohua by virtue of the contractual right to appoint 1 out of the 4 directors to the board of directors of that company.

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

4.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2017, the carrying amount of property, plant and equipment is approximately RMB131,511.65 million (2016: approximately RMB129,095.73 million).

Write down of inventories

Inventories are stated at lower of cost and net realisable value. During the year, allowance of approximately RMB9.99 million (2016: approximately of RMB20.33 million) is made to write down the cost of inventories to their net realisable values.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill is approximately RMB44,682.35 million (2016: approximately RMB42,604.26 million). Details of the recoverable amount calculation are disclosed in Note 18.

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

4.2 Key sources of estimation uncertainty *(continued)*

Income taxes

As at 31 December 2017, a deferred tax asset of approximately RMB2,826.00 million (2016: approximately RMB3,036.43 million) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB16,050.48 million (2016: approximately RMB14,258.77 million) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Allowance for bad and doubtful debts

During the year, the Group provided allowance for bad and doubtful debts of approximately RMB981.19 million (2016: approximately RMB1,160.24 million) based on an assessment of the present value of the estimated future cash flow from trade and other receivables. Allowance on the estimated future cash flow is applied where events or changes in circumstances indicate that the part of or the whole balances may not be recoverable. The estimation of future cash flow from trade and other receivables requires the use of judgement and estimates.

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

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

4.2 Key sources of estimation uncertainty *(continued)*

Fair value measurements and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties and financial instruments. Relevant information about the utilisation of valuation techniques and input in the process of determining the fair value of each asset and liability is disclosed in Notes 5.3 and 17.

Impairment of available-for-sale financial assets

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

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

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

(a) Market risk

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

(i) Foreign currency risk

The Group's functional currency is RMB in which most of the transactions are denominated. However, certain cash and cash equivalents and borrowings are denominated in foreign currencies. Collections of the Group's revenue from overseas operations and payments for purchases of certain machinery and equipment and certain expenses are also denominated in foreign currencies.

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

	Liabilities		**Assets**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States Dollar ("USD")	**734,960**	1,125,691	**2,448,448**	3,679,332
European Dollar ("EUR")	**780,088**	1,001,449	**1,576,103**	656,941
Hong Kong Dollar ("HKD")	**–**	–	**238,594**	356,265
Papua New Guinea Kina ("PGK")	**6,651**	16,112	**150,487**	86,459
Saudi Arabian Riyal ("SAR")	**–**	–	**3,450**	5,226
Vietnamese Dong ("VND")	**–**	24,079	**25,033**	25,033
Kazakhstan Tenge ("KZT")	**–**	119,725	**8,729**	33,448
Australian Dollar ("AUD")	**12,685**	6,049	**9,698**	12,135
British Pound ("GBP")	**–**	12,183	**481,122**	934,515
Thai Baht ("THB")	**501,438**	501,991	**232,398**	215,045
Japanese Yen ("JPY")	**–**	295	**26,165**	28,360
Others	**10,817**	4,572	**46,252**	39,661

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign currency risk *(continued)*

Sensitivity analysis

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

Effect on profit after tax

	2017 ***RMB'000***	2016 *RMB'000*
USD	**(73,159)**	(114,306)
EUR	**(33,987)**	15,421
HKD	**(11,187)**	(15,947)
PGK	**(6,141)**	(3,149)
SAR	**(147)**	(234)
VND	**(1,069)**	(43)
KZT	**(373)**	3,862
AUD	**128**	(272)
GBP	**(20,542)**	(41,285)
THB	**11,487**	12,844
JPY	**(1,117)**	(1,256)
Others	**(1,513)**	(1,571)
	(137,620)	(145,936)

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

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk

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

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

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

Sensitivity analysis

For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the end of reporting period, which amounted RMB66,536.74 million (2016: RMB56,808.69 million), was outstanding for the whole year. A 126 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2017 would have decreased by RMB555.82 million (2016: RMB497.52 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

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

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair values of available-for-sale and held-for-trading listed equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets in Note 22 and financial assets at fair value through profit or loss in Note 23 as at 31 December 2017. The Group's listed investments are listed on the stock exchanges of Hong Kong, Shenzhen and Shanghai and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2017	**High/low 2017**	31 December 2016	High/low 2016
Hong Kong Stock Exchange – Hang Seng Index	**29,919**	**30,200/21,884**	22,001	24,364/18,279
Shenzhen Stock Exchange – Component Index	**11,040**	**11,715/9,483**	10,177	12,659/8,987
Shanghai Stock Exchange – Composite Index	**3,307**	**3,450/3,017**	3,104	3,362/2,656

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Equity price risk *(continued)*

Sensitivity analysis

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

	2017 Carrying amount of equity investments	**2017 Increase in net profit**	2016 Carrying amount of equity investments	2016 Increase in net profit
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Investments listed in:				
Hong Kong, Shenzhen and Shanghai Stock Exchange				
Held-for-trading	**1,695,263**	**112,393**	1,703,414	118,397

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

(b) Credit risk

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

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a finance loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

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

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

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

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

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

(c) Liquidity risk

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

As at 31 December 2017, the Group has net current liabilities and capital commitments of approximately RMB77,482.42 million (2016: approximately RMB78,781.68 million) and approximately RMB0.52 million (2016: approximately RMB1.02 million) (Note 42), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding is sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2017, the Group had unused banking facilities and bonds registered but not yet issued, of approximately RMB169,628.92 million (2016: approximately RMB147,256.44 million).

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

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

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017									
Trade and other payables	–	53,116,459	–	–	–	–	–	53,116,459	53,116,459
Amounts due to related parties									
Interest-free	–	1,598,358	–	–	–	–	–	1,598,358	1,598,358
Fixed rate	5.31%	6,896,881	–	–	–	–	–	6,896,881	6,549,127
Borrowings loans									
Fixed rate bank loans	4.13%	38,030,281	2,473,720	272,381	111,879	8,445	2,309,508	43,206,214	41,492,571
Variable rate bank loans	4.57%	52,392,169	8,573,907	6,006,953	453,955	402,814	1,747,672	69,577,470	66,536,740
Other borrowings from non-financial institutions	6.61%	1,231,879	182,936	71,367	40,248	36,201	57,718	1,620,349	1,519,885
Bonds	4.50%	44,626,903	12,242,460	3,390,146	2,845,504	3,192,191	3,592,396	69,889,600	66,880,000
Obligations under finance leases	7.78%	9,164,398	4,897,617	1,701,004	742,613	1,462,247	1,222,886	19,190,765	18,030,831
Dividends payable to non-controlling interests	–	249,544	–	–	–	–	–	249,544	249,544
Financial guarantee contracts	5.35%	59,879	–	–	–	–	–	59,879	56,838
		207,366,751	28,370,640	11,441,851	4,194,199	5,101,898	8,930,180	265,405,519	256,030,353

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Effective interest rate %	Within one year RMB'000	One to two years RMB'000	Two to three years RMB'000	Three to four years RMB'000	Four to five years RMB'000	After five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2016 (Restated)									
Trade and other payables	–	49,360,883	–	–	–	–	–	49,360,883	49,360,883
Amounts due to related parties									
Interest-free	–	1,473,796	–	–	–	–	–	1,473,796	1,473,796
Fixed rate	5.31%	4,880,549	–	–	–	–	–	4,880,549	4,634,268
Borrowings									
Fixed rate bank loans	4.02%	47,785,779	2,347,911	4,031,050	468,502	7,734	2,369,069	57,010,045	54,806,814
Variable rate bank loans	4.51%	47,455,504	5,265,692	5,270,393	701,335	401,163	276,676	59,370,763	56,808,690
Other borrowings from non-financing institutions	6.69%	368,497	264,375	239,163	907,865	11,726	–	1,791,626	1,679,319
Bonds	3.88%	49,977,020	6,449,307	16,280,226	–	2,087,047	–	74,793,600	72,000,000
Obligations under finance leases	7.84%	5,304,270	7,931,328	3,743,134	1,148,547	362,521	2,253,095	20,742,895	19,076,576
Dividends payable to non-controlling interests	–	311,380	–	–	–	–	–	311,380	311,380
Financial guarantee contracts	5.35%	60,030	–	–	–	–	–	60,030	56,981
		206,977,708	22,258,613	29,563,966	3,226,249	2,870,191	4,898,840	269,795,567	262,208,707

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.2 Capital risk

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

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

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

5.3 Fair value measurements of financial instruments

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

The following table presents the Group assets and liability that are measured at fair value at 31 December 2017.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through profit or loss	1,695,263	–	1,183,448	2,878,711
Available-for-sale financial assets	1,637,714	–	732,228	2,369,942
Total assets	3,332,977	–	1,915,676	5,248,653
Liability				
Financial guarantee contracts	–	–	56,838	56,838
Total liability	–	–	56,838	56,838

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

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

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

During the year ended 31 December 2017, there were no significant transfers between levels of the financial assets and financial liabilities.

During the year ended 31 December 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

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

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

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

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

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

5 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

Information about Level 3 fair value measurements

Financial assets	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to Fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,183,448,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB989,527,000	Discounted cash flows Key unobservable inputs are: Expected yields of 2.85% to 4.00% of money markets and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the discount rate, the lower the fair value The higher the expected yield, the higher the fair value
Equity investments classified as AFS	16.67% equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB732,228,000	16.67% equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB833,521,000	Market approach listed company comparison method Key unobservable inputs are: Specific risk adjustment coefficient (Rc) of 33%, taking into account Shanshui Cement's recent operating situation	The higher the Specific risk adjustment coefficient, the lower the fair value

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

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

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

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

6 REVENUE

	2017 RMB'000	2016 RMB'000
Sale of goods	**116,662,567**	92,436,803
Provision of engineering services	**9,714,795**	7,742,242
Rendering of other services	**1,248,960**	1,367,738
	127,626,322	101,546,783

7 SEGMENTS INFORMATION

(a) Operating segments

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

Principal activities are as follows:

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

More than 90% of the Group's operations and assets are located in the PRC for the years ended 31 December 2017 and 2016.

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

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

Year ended 31 December 2017

	Cement RMB'000	Concrete RMB'000	New materials RMB'000	Engineering services RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Consolidated statement of profit or loss							
Revenue							
External sales	74,835,799	28,720,947	12,724,911	9,249,420	2,095,245	–	127,626,322
Inter-segment sales (Note)	2,878,991	–	3,113	472,154	732,469	(4,086,727)	–
	77,714,790	28,720,947	12,728,024	9,721,574	2,827,714	(4,086,727)	127,626,322
Adjusted EBITDA	18,488,855	2,694,358	3,621,801	1,583,651	324,946	–	26,713,611
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(6,362,071)	(891,416)	(557,639)	(223,147)	(109,246)	–	(8,143,519)
Unallocated other income, net							78,507
Unallocated administrative expenses							(401,628)
Share of profits/(losses) of associates	431,027	–	(9,461)	(1,518)	631,453	–	1,051,501
Finance costs, net	(7,310,528)	(1,337,199)	(142,486)	(559,112)	(329,643)	–	(9,678,968)
Unallocated finance costs, net							(56,470)
Profit before income tax							9,563,034
Income tax expense							(3,222,894)
Profit for the year							6,340,140

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

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2017 *(continued)*

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

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

	Cement *RMB'000*	Concrete *RMB'000*	New materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Other information							
Capital expenditure:							
Property, plant and equipment	5,626,575	554,117	1,617,771	923,834	377,408	–	9,099,705
Prepaid lease payments	392,254	37,369	162,330	19,205	41,624	–	652,782
Intangible assets	778,270	82,976	24,631	25,070	992	–	911,939
Unallocated							3,295
	6,797,099	674,462	1,804,732	968,109	420,024	–	10,667,721
Acquisition of subsidiaries	2,188,880	732,935	154,003	–	–	–	3,075,818

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2017 *(continued)*

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation and amortisation							
Property, plant and equipment	5,621,821	858,749	499,416	209,018	89,096	–	7,278,100
Intangible assets	388,528	12,053	15,439	7,094	13,886	–	437,000
Unallocated							59,153
	6,010,349	870,802	514,855	216,112	102,982		7,774,253
Prepaid lease payments released to the consolidated statement of profit or loss	351,722	20,614	42,784	7,035	6,264	–	428,419
Allowance/(reversal of provision) for bad and doubtful debts	685,722	192,475	(50,892)	182,067	(28,179)	–	981,193
Impairment of goodwill	245,035	–	12,342	–	–	–	257,377
Impairment of property, plant and equipment	253,900	–	–	–	–	–	253,900
Write down/(reversal of provision) of inventories	4,530	7,384	–	(1,957)	32	–	9,989
Consolidated statement of financial position							
Assets							
Segment assets	213,667,865	47,370,093	19,900,530	18,932,720	6,495,023	–	306,366,231
Interests in associates	5,404,160	–	4,227,043	14,348	637,587	–	10,283,138
Unallocated assets							30,544,332
Total consolidated assets							347,193,701
Liabilities							
Segment liabilities	(132,960,252)	(16,130,548)	(5,785,100)	(17,548,272)	(7,984,851)	–	(180,409,023)
Unallocated liabilities							(81,405,304)
Total consolidated liabilities							(261,814,327)

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2016

	Cement *RMB'000* (Restated)	Concrete *RMB'000* (Restated)	New materials *RMB'000* (Restated)	Engineering services *RMB'000* (Restated)	Others *RMB'000* (Restated)	Eliminations *RMB'000* (Restated)	Total *RMB'000* (Restated)
Consolidated statement of profit or loss							
Revenue							
External sales	60,504,197	21,099,858	10,190,496	7,806,374	1,945,858	–	101,546,783
Inter-segment sales (Note)	3,125,549	–	5,477	290,585	889,889	(4,311,500)	–
	63,629,746	21,099,858	10,195,973	8,096,959	2,835,747	(4,311,500)	101,546,783
Adjusted EBITDA	14,553,797	2,220,880	2,594,819	1,094,662	(134,630)	–	20,329,528
Depreciation and amortisation, and prepaid lease payments released to consolidated statement of profit or loss	(6,321,754)	(824,308)	(511,541)	(177,109)	(100,689)	–	(7,935,401)
Unallocated other income, net							406,070
Unallocated administrative expenses							(222,250)
Share of profit of associates	189,811	–	36,836	365	536,248	–	763,260
Finance costs, net	(7,111,150)	(1,381,063)	(111,335)	(399,538)	(244,231)	–	(9,247,317)
Unallocated finance costs, net							(46,195)
Profit before income tax							4,047,695
Income tax expense							(1,238,192)
Profit for the year							2,809,503

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

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2016 *(continued)*

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

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

	Cement *RMB'000* (Restated)	Concrete *RMB'000* (Restated)	New materials *RMB'000* (Restated)	Engineering services *RMB'000* (Restated)	Others *RMB'000* (Restated)	Eliminations *RMB'000* (Restated)	Total *RMB'000* (Restated)
Other information							
Capital expenditure:							
Property, plant and equipment	8,264,937	571,110	824,423	672,821	383,880	–	10,717,171
Prepaid lease payments	290,062	772	81,961	3,010	104,421	–	480,226
Intangible assets	582,501	11,832	23,168	8,633	394	–	626,528
Unallocated							13,794
	9,137,500	583,714	929,552	684,464	488,695		11,837,719
Acquisition of subsidiaries	–	–	236,568	–	–	–	236,568

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2016 *(continued)*

	Cement *RMB'000* (Restated)	Concrete *RMB'000* (Restated)	New materials *RMB'000* (Restated)	Engineering services *RMB'000* (Restated)	Others *RMB'000* (Restated)	Eliminations *RMB'000* (Restated)	Total *RMB'000* (Restated)
Depreciation and amortisation							
Property, plant and equipment	5,613,391	804,087	458,869	162,394	83,446	–	7,122,187
Intangible assets	399,348	4,210	13,439	6,313	11,857	–	435,167
Unallocated							60,092
	6,012,739	808,297	472,308	168,707	95,303		7,617,446
Prepaid lease payments released to the consolidated statement of profit or loss	309,015	16,011	39,233	8,402	5,386	–	378,047
Allowance for bad and doubtful debts	771,909	197,194	5,948	135,005	50,181	–	1,160,237
Impairment of property, plant and equipment	177,935	28,635	–	–	–	–	206,570
Write down of inventories	5,151	–	–	15,178	–	–	20,329
Consolidated statement of financial position							
Assets							
Segment assets	209,435,150	43,283,317	17,916,123	17,272,276	6,246,408	–	294,153,274
Interests in associates	6,255,073	–	3,797,599	17,688	644,793	–	10,715,153
Unallocated assets							35,918,900
Total consolidated assets							340,787,327
Liabilities							
Segment liabilities	(140,452,555)	(14,362,338)	(6,564,366)	(16,990,015)	(8,156,158)	–	(186,525,432)
Unallocated liabilities							(78,718,220)
Total consolidated liabilities							(265,243,652)

7 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Adjusted EBITDA for reportable segments	**26,388,665**	20,464,158
Adjusted EBITDA for other segment	**324,946**	(134,630)
Eliminations	**–**	–
Total segments profit	**26,713,611**	20,329,528
Depreciation of property, plant and equipment	**(7,278,100)**	(7,122,187)
Amortisation of intangible assets	**(437,000)**	(435,167)
Prepaid lease payments released to the consolidated statements of profit or loss	**(428,419)**	(378,047)
Corporate items	**(323,121)**	183,820
Operating profit	**18,246,971**	12,577,947
Finance costs, net	**(9,735,438)**	(9,293,512)
Share of profits of associates	**1,051,501**	763,260
Profit before income tax	**9,563,034**	4,047,695

7 SEGMENTS INFORMATION *(CONTINUED)*

(b) Geographical segments

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

Revenue from external customers

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
PRC	**125,751,022**	98,608,866
Europe	**1,050,649**	816,286
Middle East	**31,843**	13,838
Southeast Asia	**550,397**	1,475,010
Oceania	**–**	60
Others	**242,411**	632,723
	127,626,322	101,546,783

(c) Information of major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2017 and 2016.

8 INVESTMENT AND OTHER INCOME, NET

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Dividends from available-for-sale financial assets	**37,539**	40,201
Discount on acquisition of interests in subsidiaries (Note 38(a))	**216,132**	3,097
Government subsidies:		
– VAT refunds (Note (a))	**1,348,215**	1,176,933
– Government grants (Note (b))	**535,522**	1,549,191
– Interest subsidy	**114,326**	49,554
Gain on disposal of subsidiaries, net (Note 38(b))	**144,015**	–
Decrease in fair value of financial assets at fair value through profit or loss, net	**(15,230)**	(71,402)
Net rental income from:		
– Investment properties (Note 17)	**10,617**	11,820
– Land and building	**5,058**	45,755
– Equipment	**98,574**	185,881
Technical and other service income	**145,805**	101,369
Gain on disposal of interests in associates, net	**78,972**	239,249
Waiver of payables	**182,206**	120,990
Others	**332,432**	185,520
	3,234,183	3,638,158

Notes:

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

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

9 FINANCE COSTS, NET

	2017 RMB'000	2016 RMB'000 (Restated)
Interest expenses on bank borrowings:		
– wholly repayable within five years	**5,573,298**	5,461,897
– not wholly repayable within five years	**7,299**	9,952
	5,580,597	5,471,849
Interest expenses on bonds, other borrowings and finance leases	**4,603,189**	4,660,400
Less: interest capitalised to construction in progress	**(149,719)**	(173,488)
	10,034,067	9,958,761
Interest income:		
– interest on bank deposits	**(251,280)**	(452,880)
– interest on loans receivables	**(47,349)**	(212,369)
	(298,629)	(665,249)
Finance costs, net	**9,735,438**	9,293,512

Borrowing costs capitalised for the year ended 31 December 2017 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 2.68% (2016: 3.22%) per annum to expenditure on the qualifying assets.

10 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2017

	Fees *RMB'000*	Salaries, allowance and benefits-in-kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement plan contributions *RMB'000*	Share appreciation rights *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Song Zhiping	–	–	–	–	–	–
Mr. Cao Jianglin	–	–	–	–	–	–
Mr. Chang Zhangli	–	665	630	50	–	1,345
Mr. Peng Shou	–	1,155	630	36	–	1,821
Mr. Cui Xingtai	–	679	630	50	–	1,359
Non-executive directors						
Mr. Guo Chaomin	–	–	–	–	–	–
Mr. Chen Yongxin	–	–	–	–	–	–
Mr. Tao Zheng	–	–	–	–	–	–
Independent non-executive directors						
Mr. Sun Yanjun	300	–	–	–	–	300
Mr. Liu Jianwen	300	–	–	–	–	300
Mr. Zhou Fangsheng	300	–	–	–	–	300
Mr. Qian Fengsheng	300	–	–	–	–	300
Ms. Xia Xue	300	–	–	–	–	300
Supervisors						
Ms. Xu Weibing (Note a)	–	–	–	–	–	–
Mr. Wu Jiwei	–	–	–	–	–	–
Ms. Zhou Guoping	–	–	–	–	–	–
Ms. Cui Shuhong	–	365	465	50	–	880
Ms. Zeng Xuan	–	117	240	50	–	407
Independent supervisors						
Mr. Wu Weiku	200	–	–	–	–	200
Mr. Li Xuan	200	–	–	–	–	200
	1,900	2,981	2,595	236	–	7,712

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

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

Year ended 31 December 2016

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

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

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

Year ended 31 December 2016 *(continued)*

Note

(a) Ms. Xu Weibing was appointed as a supervisor with effective date of 6 December 2017.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2016: none) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments in respect of five (2016: five) individuals were as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowances and benefits-in-kind	**1,878**	1,743
Discretionary bonuses	**8,125**	5,606
Retirement plan contributions	**174**	187
	10,177	7,536

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

	Number of the five highest paid individuals	
	2017	2016
Nil – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**–**	1
HKD1,500,001 – HKD2,000,000	**–**	4
HKD2,000,001 – HKD2,500,000	**5**	–

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

11 PROFIT BEFORE INCOME TAX

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Depreciation of:		
property, plant and equipment	**7,328,039**	7,172,124
investment properties	**9,214**	10,155
	7,337,253	7,182,279
Amortisation and intangible assets	**437,000**	435,167
Total depreciation and amortisation	**7,774,253**	7,617,446
Impairment loss on available-for-sale financial assets	**774**	1,512
Impairment loss on goodwill	**257,377**	–
Impairment loss on property, plant and equipment recognised	**253,900**	206,570
Cost of inventories recognised as expenses	**83,371,993**	67,403,934
Prepaid lease payments released to the consolidated statement of profit or loss	**428,419**	378,047
Loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**429,191**	35,114
Auditor's remuneration	**15,672**	15,318
Staff costs including directors' remunerations		
Salaries, bonus and other allowances	**8,140,306**	7,884,878
Retirement plan contributions	**835,682**	843,990
Total staff costs	**8,975,988**	8,728,868
Allowance for bad and doubtful debts	**981,193**	1,160,237
Write down of inventories	**9,989**	20,329
Operating lease rentals	**311,943**	302,305
Net foreign exchange losses	**120,404**	69,115

12 INCOME TAX EXPENSE

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Current income tax	**3,043,070**	1,984,391
Deferred income tax (Note 32)	**179,824**	(746,199)
	3,222,894	1,238,192

PRC income tax is calculated at 25% (2016: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Profit before income tax	**9,563,034**	4,047,695
Tax at domestic income tax rate of 25% (2016: 25%)	**2,390,758**	1,011,924
Tax effect of:		
Share of profits of associates	**(262,875)**	(190,815)
Expenses not deductible for tax purposes	**700,198**	371,673
Income not taxable for tax purposes	**(125,548)**	(83,600)
Tax effect of tax losses not recognised	**1,257,356**	1,216,687
Utilisation of previously unrecognised tax losses	**(34,443)**	(508,654)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment (Note)	**(6,037)**	(5,581)
Effect of different tax rates of subsidiaries	**(696,515)**	(573,442)
Income tax expense	**3,222,894**	1,238,192

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

12 INCOME TAX EXPENSE *(CONTINUED)*

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

	2017			2016		
	Before taxation	**Taxation credited (Note 32)**	**Net of taxation**	Before taxation	Taxation credited (Note 32)	Net of taxation
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000* (Restated)	*RMB'000* (Restated)	*RMB'000* (Restated)
Currency translation differences	**(4,649)**	**–**	**(4,649)**	276	–	276
Changes in fair value of available-for-sale financial assets, net	**368,644**	**15,823**	**384,467**	(500,336)	3,315	(497,021)
Share of associates' other comprehensive (expense)/income	**(19,517)**	**–**	**(19,517)**	14,019	–	14,019
Other comprehensive income/(expense)	**344,478**	**15,823**	**360,301**	(486,041)	3,315	(482,726)

13 DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends paid	**232,158**	199,764
Proposed final dividend – RMB0.1 (2016: RMB0.043) per share (see below)	**843,477**	232,158

The final dividend of RMB843,477,066.20 in total (pre-tax) has been proposed by the board of directors on 23 March 2018, with the condition that the share exchange shall be completed before the date of the annual general meeting 13 June 2018, representing RMB0.100 per shares (pre-tax) distributed based on the issued shares of the Company of 8,434,700,662 shares upon completion of the share exchange.

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

14 EARNINGS PER SHARE – BASIC AND DILUTED

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**3,224,802**	1,048,098

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares in issue	**5,399,026**	5,399,026

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

15 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2016					
As previously reported	5,395,611	69,486,297	72,793,460	5,875,134	153,550,502
Business combination under common control (Note 40)	–	–	6,408	13,604	20,012
As restated	5,395,611	69,486,297	72,799,868	5,888,738	153,570,514
Additions	8,914,906	1,083,400	582,401	148,430	10,729,137
Acquisition of subsidiaries (Note 38(a))	135,836	–	6,206	924	142,966
Transfer from construction in progress	(6,831,362)	2,425,530	4,367,722	38,110	–
Transfer to construction in progress for reconstruction	483,662	(126,320)	(357,342)	–	–
Disposals (Restated)	(168,803)	(259,982)	(296,276)	(158,375)	(883,436)
As at 31 December 2016 (Restated)	7,929,850	72,608,925	77,102,579	5,917,827	163,559,181

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2017					
As previously reported	7,929,850	72,608,925	77,096,171	5,904,309	163,539,255
Business combination under common control (Note 40)	–	–	6,408	13,518	19,926
As restated	7,929,850	72,608,925	77,102,579	5,917,827	163,559,181
Additions	7,362,116	1,000,737	572,775	167,372	9,103,000
Acquisition of subsidiaries (Note 38(a))	99,233	1,072,742	935,478	169,399	2,276,852
Transfer from construction in progress	(5,379,416)	2,431,871	2,936,954	10,591	–
Transfer to construction in progress for reconstruction	164,601	(79,258)	(88,882)	–	(3,539)
Disposals	(343,329)	(401,015)	(402,810)	(443,700)	(1,590,854)
Disposal of subsidiaries (Note 38(b))	–	(22,029)	(591,069)	(16,782)	(629,880)
Transfer from investment properties (Note 17)	–	40,576	–	–	40,576
Transfer to investment properties (Note 17)	–	(15,209)	–	–	(15,209)
As at 31 December 2017	9,833,055	76,637,340	80,465,025	5,804,707	172,740,127

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Depreciation and impairment					
As at 1 January 2016					
As previously reported	94,694	7,349,370	17,827,312	2,053,696	27,325,072
Business combination under common control (Note 40)	–	–	1,930	5,427	7,357
As restated	94,694	7,349,370	17,829,242	2,059,123	27,332,429
Charge for the year (Restated)	–	1,999,449	4,554,148	618,527	7,172,124
Disposals (Restated)	–	(51,641)	(83,355)	(112,676)	(247,672)
Impairment loss recognised (Restated)	–	65,253	138,379	2,938	206,570
As at 31 December 2016 (Restated)	94,694	9,362,431	22,438,414	2,567,912	34,463,451

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Depreciation and impairment					
As at 1 January 2017					
As previously reported	94,694	9,362,431	22,433,190	2,560,849	34,451,164
Business combination under common control (Note 40)	–	–	5,224	7,063	12,287
As restated	94,694	9,362,431	22,438,414	2,567,912	34,463,451
Charge for the year	–	2,016,770	4,746,603	564,666	7,328,039
Disposals	–	(225,277)	(237,202)	(313,111)	(775,590)
Impairment loss recognised	185,131	27,750	40,861	158	253,900
Transfer to construction in progress for reconstruction	–	(198)	(3,341)	–	(3,539)
Disposal of subsidiaries (Note 38(b))	–	(1,952)	(26,985)	(13,373)	(42,310)
Transfer from investment properties (Note 17)	–	5,039	–	–	5,039
Transfer to investment properties (Note 17)	–	(512)	–	–	(512)
As at 31 December 2017	279,825	11,184,051	26,958,350	2,806,252	41,228,478
Carrying amount					
As at 31 December 2017	9,553,230	65,453,289	53,506,675	2,998,455	131,511,649
As at 31 December 2016 (Restated)	7,835,156	63,246,494	54,664,165	3,349,915	129,095,730

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

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

During the year ended 31 December 2017, the management conducted a review of the Group's property, plant and equipment and determined that certain assets will not generate future benefit to the Group. Accordingly, impairment loss of approximately RMB253.90 million (2016: approximately RMB206.57 million) has been recognised in respect of those property, plant and equipment.

As at 31 December 2017, the carrying amount of plant and machinery includes an amount of approximately RMB20,018.46 million (2016: approximately RMB21,575.61 million) in respect of assets held under finance leases.

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

	2017 ***RMB'000***	2016 *RMB'000* (Restated)
Land and buildings	**165,308**	635,503
Plant and machinery	**8,998,281**	10,724,579
Total	**9,163,589**	11,360,082

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

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

At 31 December 2017, land and buildings with carrying amount of approximately RMB1,846.90 million (2016: approximately RMB2,220.56 million) are still in the process of applying the title certificates.

16 PREPAID LEASE PAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Carrying amount		
As at 1 January	**15,019,192**	14,876,425
Additions	**652,782**	480,226
Acquisitions of subsidiaries (Note 38(a))	**716,589**	93,602
Released to the consolidated statement of profit or loss	**(428,419)**	(378,047)
Disposals	**(156,971)**	(53,014)
Disposals of subsidiaries (Note 38(b))	**(3,119)**	–
As at 31 December	**15,800,054**	15,019,192

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

	2017	2016
	RMB'000	*RMB'000*
The carrying amount of prepaid lease payments are analysed as follows:		
Non-current portion	**15,361,805**	14,660,619
Current portion included in trade and other receivables (Note 26)	**438,249**	358,573
	15,800,054	15,019,192

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

As at 31 December 2017, prepaid lease payments with carrying amount of approximately RMB153.70 million (2016: approximately RMB144.44 million) are still in the process of applying the title certificates.

As at 31 December 2017, the Group has pledged prepaid lease payments with a carrying amount of approximately RMB87.18 million (2016: approximately RMB196.93 million) to secure bank borrowings granted to the Group.

17 INVESTMENT PROPERTIES

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Cost		
As at 1 January		
As previous reported	**424,454**	422,626
Business combination under common control (Note 40)	**20,151**	20,151
As restated	**444,605**	442,777
Additions	**–**	1,828
Disposal	**(423)**	–
Transfer from property, plant and equipment (Note 15)	**15,209**	–
Transfer to property, plant and equipment (Note 15)	**(40,576)**	–
As at 31 December	**418,815**	444,605
Depreciation		
As at 1 January		
As previous reported	**108,794**	99,231
Business combination under common control (Note 40)	**2,311**	1,719
As restated	**111,105**	100,950
Charge for the year (Restated)	**9,214**	10,155
Transfer from property, plant and equipment (Note 15)	**512**	–
Transfer to property, plant and equipment (Note 15)	**(5,039)**	–
As at 31 December	**115,792**	111,105
Carrying amount		
As at 31 December	**303,023**	333,500

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2016: 2.38%) per annum.

As at 31 December 2017 and 2016, the Group has not pledged investment properties to secure bank borrowings granted to the Group.

17 INVESTMENT PROPERTIES *(CONTINUED)*

The fair value of the Group's investment properties as at 31 December 2017 was approximately RMB1,198.38 million (2016: approximately RMB1,023.66 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local valuers, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB13.21 million (2016: approximately RMB17.51 million). Direct operating expenses arising on the investment properties amounted to approximately RMB2.59 million (2016: approximately RMB5.69 million).

18 GOODWILL

	2017	2016
	RMB'000	*RMB'000*
As at 1 January	**42,604,255**	42,604,255
Arising from acquisition of subsidiaries (Note 38(a))	**2,387,802**	–
De-registration of a subsidiary	**(30,726)**	–
Disposal of subsidiaries (Note 38(b))	**(21,600)**	–
Impairment loss for the year	**(257,377)**	–
As at 31 December	**44,682,354**	42,604,255

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

	2017	2016
	RMB'000	*RMB'000*
Cement	**34,726,154**	33,619,422
Concrete	**9,736,071**	8,752,362
New materials	**96,201**	108,543
Engineering services	**62**	62
Others	**123,866**	123,866
	44,682,354	42,604,255

18 GOODWILL *(CONTINUED)*

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

During the year ended 31 December 2017, the Group recognised impairment loss of RMB245.04 million (2016: nil) and RMB12.34 million (2016: nil) in relation to goodwill allocated to the CGU of cement operation and new materials operation respectively. Prolonged losses have been incurred by certain subsidiaries of the cement segment and new materials segment and the recoverable amount of these subsidiaries is less than their carrying amount. The management does not expect these subsidiaries to operate at a profit in the foreseeable future.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Cement and Concrete

The recoverable amounts of the groups of CGUs of cement and concrete operations have been determined based on the value in use calculation. Their recoverable amounts are based on certain similar key assumptions. Both value in use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with growth rate of 5% (2016: 5%), and discount rate of 10% (2016: 10%). Both sets of cash flows beyond the five-year period are extrapolated using zero growth rate. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for both cement and concrete are also based on the budgeted sales and expected gross margins during the budget period. Expected cashflows, which include budgeted sales and gross margin have been determined based on past performance and management's expectations for the market development.

Others

The recoverable amounts of the groups of CGUs of other operations have been determined based on the value in use calculation. Their value in use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with growth rates of 10% (2016: 10%), and discount rates of 10% (2016: 10%). Their sets of cash flows beyond the five year period are extrapolated using zero growth rate. These growth rates are based on the industry growth forecasts and do not exceed the average long-term growth rates for the relevant industry. Cash flow projections during the budget period for these operations are also based on the budgeted sales and expected gross margins during the budget period. Expected cashflows, which include budgeted sales and gross margin have been determined based on past performance and management's expectations for the market development.

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

19 INTANGIBLE ASSETS

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
Cost			
As at 1 January 2016	8,319,693	352,822	8,672,515
Additions	471,408	155,120	626,528
Disposals	(71,503)	(20,726)	(92,229)
As at 31 December 2016 and 1 January 2017	**8,719,598**	**487,216**	**9,206,814**
Additions	**832,136**	**79,803**	**911,939**
Acquisition of subsidiaries (Note 38(a))	**81,162**	**1,215**	**82,377**
Disposals	**(57)**	**(24,947)**	**(25,004)**
Disposal of subsidiaries (Note 38(b))	**(1,114)**	**(332)**	**(1,446)**
As at 31 December 2017	**9,631,725**	**542,955**	**10,174,680**
Amortisation and impairment			
As at 1 January 2016	1,349,083	178,535	1,527,618
Charge for the year	391,485	43,682	435,167
Disposals	(2,811)	(12,944)	(15,755)
As at 31 December 2016 and 1 January 2017	**1,737,757**	**209,273**	**1,947,030**
Charge for the year	**387,867**	**49,133**	**437,000**
Disposals	**(57)**	**(13,592)**	**(13,649)**
Disposal of subsidiaries (Note 38(b))	**(1,000)**	**–**	**(1,000)**
As at 31 December 2017	**2,124,567**	**244,814**	**2,369,381**
Carrying amount			
As at 31 December 2017	**7,507,158**	**298,141**	**7,805,299**
As at 31 December 2016	6,981,841	277,943	7,259,784

19 INTANGIBLE ASSETS *(CONTINUED)*

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

The management of the Company reviewed the carrying amount of intangible assets. No impairment loss was recognised for the years ended 31 December 2017 and 2016 in the consolidated statement of profit or loss.

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2017 and 2016, which are established and operated in the PRC, are as follows:

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company				Principal activities
		Direct		Indirect		
		2017	2016	**2017**	2016	
		%	%	**%**	%	
BNBM (Note (i, ii, iii))	RMB706,990,796	**35.73**	35.73	**–**	–	Production and sale of lightweight building materials
Taishan Gypsum Company Limited ("Taishan Gypsum") (Note (iv, v))	RMB155,625,000	**–**	–	**35.73**	35.73	Production and sale of lightweight building materials
BNBM Suzhou Mineral Fiber Ceiling Company Limited (Note (iv))	RMB80,000,000	**–**	–	**35.73**	35.73	Production and sale of lightweight building materials
China United Cement Group Corporation Limited ("China United")	RMB4,000,000,000	**100.00**	100.00	**–**	–	Production and sale of cement
Lunan China United Cement Company Limited	RMB200,000,000	**–**	–	**80.34**	80.34	Production and sale of cement
Huaihai China United Cement Company Limited	RMB364,909,100	**–**	–	**80.88**	80.88	Production and sale of cement
Qingzhou China United Cement Company Limited	RMB200,000,000	**–**	–	**100.00**	100.00	Production and sale of cement

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company Direct 2017 %	Direct 2016 %	Indirect 2017 %	Indirect 2016 %	Principal activities
Taishan China United Cement Company Limited	RMB270,000,000	**–**	–	**95.68**	95.68	Production and sale of cement
Qufu China United Cement Company Limited	RMB130,000,000	**–**	–	**90.00**	90.00	Production and sale of cement
Linyi China United Cement Company Limited	RMB165,200,000	**–**	–	**100.00**	100.00	Production and sale of cement
Zaozhuang China United Cement Company Limited	RMB175,000,000	**–**	–	**100.00**	100.00	Production and sale of cement
Xuzhou China United Cement Company Limited	RMB346,940,000	**–**	–	**100.00**	100.00	Production and sale of cement
South Cement Company Limited ("South Cement") (Note vi)	RMB1,000,000,000	**82.30**	82.30	**–**	–	Production and sale of cement
Zhe Jiang South Cement Company Limited	RMB1,000,000,000	**–**	–	**82.30**	82.30	Production and sale of cement
Shanghai South Cement Company Limited	RMB300,000,000	**–**	–	**82.30**	82.00	Production and sale of cement
Hunan South Cement Company Limited	RMB3,000,000,000	**–**	–	**82.30**	82.30	Production and sale of cement
Jiangxi South Cement Company Limited	RMB3,000,000,000	**–**	–	**82.30**	82.30	Production and sale of cement
Guangxi South Cement Company Limited	RMB1,000,000,000	**–**	–	**82.30**	82.30	Production and sale of cement
North Cement Company Limited ("North Cement")	RMB4,000,000,000	**70.00**	70.00	**–**	–	Production and sale of cement
Heilongjiang Binzhou Cement Company Limited ("Binzhou Cement")	RMB50,000,000	**–**	–	**70.00**	70.00	Production and sale of cement

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company – Direct 2017 %	Direct 2016 %	Indirect 2017 %	Indirect 2016 %	Principal activities
South West Cement Company Limited ("Southwest Cement")	RMB10,000,000,000	**70.00**	70.00	**–**	–	Production and sale of cement
Chongqing Southwest Cement Company Limited	RMB2,000,000,000	**–**	–	**70.00**	70.00	Production and sale of cement
China Composites Group Corporation Limited ("China Composites")	RMB350,000,000	**100.00**	100.00	**–**	–	Production and sale of composite materials
Lianyuangang Zhongfu Lianzhong Composite Material Group Company Limited	RMB261,307,535	**–**	–	**62.96**	62.96	Production and sale of composite materials
Changzhou China Composites Liberty Company Limited	RMB180,000,000	**–**	–	**75.00**	75.00	Production and sale of PRV tiles
China Triumph International Engineering Company Limited ("China Triumph") (Note (vii))	RMB220,000,000	**91.00**	91.00	**–**	–	Provision of engineering services
CTIEC Shenzhen Triumph Scienotech Engineering Company Limited	RMB5,000,000	**–**	–	**66.43**	66.43	Provision of engineering services
CTIEC Nanjing Triumph International Engineering Company Limited (Note (iv))	RMB100,000,000	**–**	–	**46.55**	46.55	Provision of engineering services
CTIEC BengBu Triumph Scienotech Engineering Company Limited	RMB30,000,000	**–**	–	**91.00**	91.00	Provision of engineering services
CNBM Investment Company Limited	RMB500,000,000	**100.00**	100.00	**–**	–	Sales of lightweight building materials

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Notes:

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

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

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

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

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

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

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

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

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

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

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

(i) South Cement and its subsidiaries

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Current assets	**28,227,286**	28,504,040
Non-current assets	**61,684,070**	62,177,817
Current liabilities	**(50,931,458)**	(53,390,438)
Non-current liabilities	**(17,185,400)**	(16,638,806)
Non-controlling interests	**(4,665,780)**	(4,538,250)
Equity attributable to owners of the Company	**17,128,718**	16,114,363
Revenue	**43,166,613**	33,162,477
Expenses	**(41,334,796)**	(32,829,941)
Profit for the year	**1,831,817**	332,535
Profit attributable to owners of the Company	**1,426,972**	197,788
Profit attributable to the non-controlling interests	**404,845**	134,748
Profit for the year	**1,831,817**	332,536
Other comprehensive expenses attributable to owners of the Company	**(47,465)**	(9,945)
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive expenses for the year	**(47,465)**	(9,945)
Total comprehensive income for the year	**1,784,352**	322,591

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

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

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

	2017 *RMB'000*	2016 *RMB'000* (Restated)
Total comprehensive income attributable to owners of the Company	**1,379,507**	187,843
Total comprehensive income attributable to the non-controlling interests	**404,845**	134,748
Total comprehensive income for the year	**1,784,352**	322,591
Dividends paid to non-controlling interests	**272,724**	204,566
Net cash inflow from operating activities	**8,155,854**	7,266,695
Net cash outflow from investing activities	**(2,090,040)**	(2,267,267)
Net cash outflow from financing activities	**(5,428,204)**	(4,957,289)
Net cash (outflow)/inflow	**637,610**	42,139

(ii) Southwest Cement and its subsidiaries

	2017 *RMB'000*	2016 *RMB'000*
Current assets	**16,289,315**	17,638,779
Non-current assets	**57,603,700**	57,701,460
Current liabilities	**(53,500,115)**	(54,091,138)
Non-current liabilities	**(7,368,425)**	(8,476,564)
Non-controlling interests	**(4,155,945)**	(4,077,004)
Equity attributable to owners of the Company	**8,868,530**	8,695,533
Revenue	**22,597,148**	19,146,387
Expenses	**(21,734,844)**	(18,641,960)
Profit for the year	**862,304**	504,427

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

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

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

	2017	2016
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**585,211**	351,640
Profit attributable to the non-controlling interests	**277,093**	152,787
Profit for the year	**862,304**	504,427
Other comprehensive income attributable to owners of the Company	**–**	–
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive income for the year	**–**	–
Total comprehensive income attributable to owners of the Company	**585,211**	351,640
Total comprehensive income attributable to the non-controlling interests	**277,093**	152,787
Total comprehensive income for the year	**862,304**	504,427
Dividends paid to non-controlling interests	**198,456**	224,812
Net cash inflow from operating activities	**3,985,101**	3,807,218
Net cash outflow from investing activities	**(1,079,700)**	(1,440,083)
Net cash outflow from financing activities	**(4,149,741)**	(954,705)
Net cash (outflow)/inflow	**(1,244,340)**	1,412,430

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

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

(iii) BNBM and its subsidiaries

	2017 *RMB'000*	2016 *RMB'000*
Current assets	**5,530,767**	4,738,047
Non-current assets	**10,579,914**	9,611,280
Current liabilities	**(2,896,491)**	(2,709,871)
Non-current liabilities	**(718,519)**	(1,176,249)
Non-controlling interests	**(8,059,633)**	(6,755,947)
Equity attributable to owners of the Company	**4,436,038**	3,707,260
Revenue	**11,164,344**	8,156,079
Expenses	**(8,809,446)**	(6,690,682)
Profit for the year	**2,354,898**	1,465,397
Profit attributable to owners of the Company	**837,506**	499,339
Profit attributable to the non-controlling interests	**1,517,392**	966,058
Profit for the year	**2,354,898**	1,465,397
Other comprehensive income attributable to owners of the Company	**–**	–
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive income for the year	**–**	–
Total comprehensive income attributable to owners of the Company	**837,506**	499,339
Total comprehensive income attributable to the non-controlling interests	**1,517,392**	966,058
Total comprehensive income for the year	**2,354,898**	1,465,397
Dividends paid to non-controlling interests	**203,692**	151,399

20 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

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

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

	2017 **RMB'000**	2016 RMB'000
Net cash inflow from operating activities	**2,654,194**	1,708,152
Net cash outflow from investing activities	**(1,830,607)**	(950,034)
Net cash outflow from financing activities	**(1,041,542)**	(421,438)
Net cash (outflow)/inflow	**(217,955)**	336,680

21 INTERESTS IN ASSOCIATES

	2017 **RMB'000**	2016 RMB'000
Cost of investments in associates		
– listed in the PRC	**1,440,949**	1,594,123
– unlisted	**4,227,467**	4,361,911
Share of post-acquisition profit, net of dividend received	**4,614,722**	4,759,119
	10,283,138	10,715,153
Fair value of listed investments	**14,909,407**	9,689,119
Share of profits of associates	**1,051,501**	763,260

As at 31 December 2017, the cost of investments in associates included goodwill of associates of approximately RMB732.09 million (2016: approximately RMB854.56 million).

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the associates of the Group as at 31 December 2017, which in the opinion of the directors are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of associate	Nominal value of registered capital	Attributable direct equity interest to the Group 2017 %	2016 %	Principal activities
China Jushi Co., Ltd. ("China Jushi") (Note i)	RMB2,918,589,041	**26.97**	26.97	Production of glass fiber
Shangdong Quan Xing China United Cement Company Limited ("Shangdong Quan Xing")	RMB2,000,000,000	**49.00**	49.00	Sales and production of cement
Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") (Note ii)	RMB1,000,000,000	**50.00**	50.00	Production of cement
Shanghai Yaohua Pikington Glass Group Co., Ltd. ("Shanghai Yaohua") (Note iii)	RMB934,916,069	**12.74**	12.74	Production of glass fiber
Gansu Shangfeng Cement Co., Ltd. ("Gansu Shangfeng") (Note iv)	RMB813,619,871	**14.40**	16.85	Production of cement

Notes:

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

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

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

(iv) Gansu Shangfeng was considered as an associate of the Group because South Cement has virtue of its contractual right to appoint director on its board. During the year ended 31 December 2017, the Group disposed 19,980,900 equity shares of Gansu Shangfeng to third parties for consideration of approximately RMB234.17 million. After the disposal, the number of share of Gansu Shangfeng owned by the Group was decreased from 137,107,315 shares to 117,126,415 shares.

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

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

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

China Jushi

	2017 *RMB'000*	2016 *RMB'000*
Current assets	**7,838,629**	8,212,472
Non-current assets	**16,953,180**	15,719,596
Current liabilities	**(7,819,977)**	(9,462,149)
Non-current liabilities	**(4,418,418)**	(3,422,013)
Non-controlling interests	**(104,756)**	(81,657)
Revenue	**8,651,549**	7,446,334
Profit for the year	**2,157,591**	1,528,719
Other comprehensive (expense)/income for the year	**(106,686)**	72,923
Total comprehensive income for the year	**2,050,905**	1,601,642
Dividends received from the associate during the year	**164,002**	93,034

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

	2017 *RMB'000*	2016 *RMB'000*
Net assets of the associate	**12,448,658**	10,966,249
Proportion of the Group's ownership interest in China Jushi	**26.97%**	26.97%
Group's share of net assets of the associate	**3,357,403**	2,957,597
Goodwill	**18,693**	18,693
Carrying amount of the Group's interest in China Jushi	**3,376,096**	2,976,290

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

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

Shangdong Quan Xing

	2017 **_RMB'000_**	2016 *RMB'000*
Current assets	**1,168,596**	1,271,274
Non-current assets	**3,604,465**	3,725,566
Current liabilities	**(2,216,895)**	(1,910,721)
Non-current liabilities	**(174,219)**	(813,204)
Non-controlling interest	**(189,393)**	(146,996)
Revenue	**2,226,861**	1,482,697
Profit for the year	**85,467**	79,303
Total comprehensive income for the year	**85,467**	79,303
Dividends received from the associate during the year	**–**	–

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

	2017 **_RMB'000_**	2016 *RMB'000*
Net assets of the associate	**2,192,554**	2,125,919
Proportion of the Group's ownership interest in Shangdong Quan Xing	**49%**	49%
Carrying amount of the Group's interest in Shangdong Quan Xing	**1,074,351**	1,041,700

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

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

Nanfang Wannianqing

	2017	2016
	RMB'000	*RMB'000*
Current assets	**1,380,768**	1,637,088
Non-current assets	**2,896,090**	3,027,889
Current liabilities	**(1,481,976)**	(1,449,380)
Non-current liabilities	**(70,387)**	(404,717)
Non-controlling interests	**(558,202)**	(625,579)
Revenue	**4,646,258**	3,308,881
Profit for the year	**675,639**	403,289
Total comprehensive income for the year	**675,639**	403,289
Dividends received from the associate during the year	**200,000**	–

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

	2017	2016
	RMB'000	*RMB'000*
Net assets of the associate	**2,166,293**	2,185,301
Proportion of the Group's ownership interest in Nanfang Wannianqing	**50%**	50%
Carrying amount of the Group's interest in Nanfang Wannianqing	**1,083,147**	1,092,651

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

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

	2017	2016
	RMB'000	*RMB'000*
The Group's share of profits from continuing operations	**89,900**	176,207
The Group's share of other comprehensive expenses	**(9,180)**	(5,191)
The Group's share of total comprehensive income	**80,720**	171,016
Aggregate carrying amount of the Group's interests in these associates	**4,749,544**	5,604,512

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	*RMB'000*
Available-for-sale financial assets:		
– Unlisted equity shares, at cost (Note i)	**1,164,217**	995,376
– Listed equity shares listed in Hong Kong (Note ii)	**1,633,972**	1,581,129
– Listed equity shares listed outside Hong Kong	**735,970**	563,148
	3,534,159	3,139,653

	2017	2016
	RMB'000	*RMB'000*
The carrying amount of available-for-sale financial assets are analysed as follows:		
Non-current portion	**3,479,659**	3,095,655
Current portion	**54,500**	43,998
	3,534,159	3,139,653

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

Note ii: As at 31 December 2017, the Group has pledged listed equity shares listed in Hong Kong with the carrying amount of approximately RMB1,054.98 million (2016: RMB1,026.47 million) to secure bank borrowings granted to the Group. In addition, share of Shanshui Cement with carrying amount of RMB732.23 million (2016: RMB833.52 million) are subject to the negative pledge covenant in relation to a bank borrowing of HKDNil million (equivalent to RMBNil million) (2016: HKD1,450.00 million (equivalent to RMB1,214.81 million)).

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'000	*RMB'000*
Held-for-trading investments at market value:		
– Quoted investment funds listed outside Hong Kong	**295**	234
– Quoted listed equity shares listed outside Hong Kong	**1,694,968**	1,703,180
	1,695,263	1,703,414
Unlisted investments (Note)	**1,183,448**	989,527
	2,878,711	2,692,941

Note: During the years ended 31 December 2017 and 2016, the Group entered into certain investment contracts with financial institutions. The investments covered by these contracts have maturity dates within 3 months.

24 DEPOSITS

	2017	2016
	RMB'000	*RMB'000*
Investment deposits for acquisition of subsidiaries	**404,767**	804,008
Deposits paid to acquire property, plant and equipment	**2,183,464**	2,108,902
Deposits paid to acquire intangible assets	**64,163**	266,093
Deposits paid in respect of prepaid lease payments	**202,442**	343,248
	2,854,836	3,522,251

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

25 INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**8,738,715**	8,314,974
Work-in-progress	**2,528,281**	2,669,464
Finished goods	**4,750,446**	3,840,734
Consumables	**363,580**	379,606
	16,381,022	15,204,778

26 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Trade receivables, net of allowance for bad and doubtful debts (Note (b))	**30,926,828**	30,294,756
Bills receivable (Note (c))	**12,746,588**	8,550,735
Amounts due from customers for contract work (Note 28)	**7,183,323**	6,109,450
Prepaid lease payments (Note 16)	**438,249**	358,573
Other receivables, deposits and prepayments	**31,959,562**	31,268,842
	83,254,550	76,582,356

26 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

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

The ageing analysis of trade receivables is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Within two months	6,676,600	6,074,082
More than two months but within one year	15,493,249	16,564,969
Between one and two years	5,736,338	5,550,258
Between two and three years	2,098,030	1,532,729
Over three years	922,611	572,718
	30,926,828	30,294,756

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

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB4,221.05 million (2016: approximately RMB4,525.71 million) which are over the credit period at the reporting date for which the Group has not provided allowance for bad and doubtful debts in accordance with the Group's policy and no further impairment loss was made. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2017, the retention receivables of approximately RMB243.31 million (2016: approximately RMB236.96 million) and receivables within contractual payment term of approximately RMB27.01 million (2016: approximately RMB33.41 million) with ageing over one year are not past due.

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

	2017 RMB'000	2016 RMB'000 (Restated)
More than two months but within one year	2,415,735	2,842,145
Between one and two years	856,696	893,762
Between two and three years	536,636	430,243
Over three years	411,983	359,561
	4,221,050	4,525,711

26 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
As at 1 January		
As previous reported	**4,147,019**	3,000,991
Business combination under common control	**12,114**	3,427
As restated	**4,159,133**	3,004,418
Additions from acquisition of subsidiaries	**244,676**	40
Disposal of subsidiaries	**(3,005)**	–
Allowance for bad and doubtful debts	**981,193**	1,160,237
Amounts written off as uncollectible	**(140,423)**	(5,562)
As at 31 December	**5,241,574**	4,159,133

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
RMB	**79,497,265**	72,615,016
EUR	**1,459,165**	520,293
PGK	**–**	19,774
USD	**1,956,133**	3,084,438
THB	**179,846**	179,846
Others	**162,141**	162,989
	83,254,550	76,582,356

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

(g) As at 31 December 2017, approximately RMB1,180.52 million (2016: approximately RMB781.43 million) of the trade receivables and approximately RMB496.21 million (2016: approximately RMB46.07 million) of bills receivable are pledged to secure bank loans granted to the Group.

27 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**3,096,575**	2,457,488
– Associates	**70,341**	498,554
– Immediate holding company	**–**	34,896
– Non-controlling interests of subsidiaries	**293,315**	738,494
	3,460,231	3,729,432
Non-trading in nature:		
– Fellow subsidiaries	**1,615,888**	1,721,570
– Associates	**430,685**	5,824,242
– Immediate holding company	**1,078**	1,078
– Non-controlling interests of subsidiaries	**560,901**	652,730
	2,608,552	8,199,620
	6,068,783	11,929,052
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**1,043,485**	846,010
– Associates	**33,139**	182,477
– Non-controlling interests of subsidiaries	**37,157**	93,451
	1,113,781	1,121,938
Non-trading in nature:		
– Fellow subsidiaries	**2,210,604**	124,794
– Associates	**280**	80,343
– Immediate holding company	**4,092,529**	4,231,967
– Non-controlling interests of subsidiaries	**730,291**	549,022
	7,033,704	4,986,126
	8,147,485	6,108,064

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

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

As at 31 December 2017, amounts due from related parties of approximately RMB1,428.39 million (2016: approximately RMB7,398.84 million) carry the variable interest rate of 4.35% (2016: 4.75%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2017, amounts due to related parties of approximately RMB6,549.13 million (2016: approximately RMB4,634.27 million) carry the fixed interest rate of 5.31% (2016: 5.64%) per annum. The remaining balances of amounts due to related parties are interest-free.

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

	2017 *RMB'000*	2016 *RMB'000*
Contracts in progress at the end of the reporting period analysed for reporting purposes as:		
Contract costs incurred plus recognised profits less recognised losses to date	**26,401,751**	21,780,171
Less: progress billings	**(20,464,686)**	(16,166,299)
	5,937,065	5,613,872
Amounts due from customers for contract work included in trade and other receivables (Note 26)	**7,183,323**	6,109,450
Amounts due to customers for contract work included in trade and other payables (Note 30)	**(1,246,258)**	(495,578)
	5,937,065	5,613,872

As at 31 December 2017, advances received from customers for contract work amounted to approximately RMB1,246.26 million (2016: approximately RMB495.58 million) are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 26, amounted to approximately RMB243.31 million (2016: approximately RMB236.96 million).

29 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
USD	**472,094**	575,681
EUR	**115,867**	136,052
JPY	**24,845**	27,004
PGK	**19,507**	1,294
SAR	**3,450**	5,226
HKD	**209,536**	355,939
VND	**8,729**	17,572
AUD	**1,391**	2,854
GBP	**54,750**	101,188
Others	**66,896**	83,466
	977,065	1,306,276

As at 31 December 2017, the Group pledged approximately RMB8,190.06 million (2016: approximately RMB7,973.77 million), which is denominated in RMB, to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from Nil to 2.80% (2016: range from 0.35% to 3.30%) per annum.

30 TRADE AND OTHER PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Within two months	**4,770,455**	4,336,387
More than two months but within one year	**11,709,702**	11,237,743
Between one and two years	**1,443,284**	2,608,584
Between two and three years	**640,341**	749,689
Over three years	**1,025,087**	860,710
Trade payables	**19,588,869**	19,793,113
Bills payable	**17,587,000**	13,077,193
Amounts due to customers for contract work (Note 28)	**1,246,258**	495,578
Other payables	**14,694,332**	15,994,999
	53,116,459	49,360,883

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

31 BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Bank borrowings:		
– Secured	**2,235,826**	3,544,159
– Unsecured	**105,793,485**	108,071,345
	108,029,311	111,615,504
Bonds	**66,880,000**	72,000,000
Borrowings from other financial institutions	**1,519,885**	1,679,319
	176,429,196	185,294,823

31 BORROWINGS *(CONTINUED)*

	2017	2016
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current	**45,944,115**	44,492,436
Current	**130,485,081**	140,802,387
	176,429,196	185,294,823

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

	2017	2016
	RMB'000	*RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**36,521,925**	45,939,032
Between one and two years	**2,375,607**	2,257,173
Between two and three years	**261,578**	3,875,265
Between three and four years	**107,442**	450,396
Between four and five years	**8,110**	7,435
More than five years	**2,217,909**	2,277,513
	41,492,571	54,806,814
Variable rate bank borrowings repayable:		
Within one year	**50,102,485**	45,407,620
Between one and two years	**8,199,203**	5,038,458
Between two and three years	**5,744,432**	5,042,955
Between three and four years	**434,116**	671,069
Between four and five years	**385,210**	383,852
More than five years	**1,671,294**	264,736
	66,536,740	56,808,690

31 BORROWINGS *(CONTINUED)*

	2017	2016
Effective interest rate per annum:		
Fixed rate borrowings	**1.00% to 6.36%**	1.00% to 6.87%
Variable rate borrowings	**1.00% to 6.36%**	1.00% to 6.87%

The carrying amount of borrowings approximate to their fair value.

As at 31 December 2017, bank borrowings of approximately RMB438.51 million (2016: approximately RMB555.16 million) were guaranteed by independent third parties.

The borrowings denominated in AUD, EUR, USD and HKD of approximately RMB5.77 million, RMB264.69million, RMB945.73 million and RMB2,710.82 million respectively (2016: approximately RMB5.16 million, RMB149.25 million, RMB1,678.70 million and RMB2,900.86 million respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB2,235.83 million (2016: approximately RMB3,544.16 million) are secured by the following assets of the Group:

	2017 ***RMB'000***	2016 *RMB'000*
Property, plant and equipment (Note 15)	**9,163,589**	11,360,082
Prepaid lease payments (Note 16)	**87,178**	196,932
Available-for-sale financial assets (Note 22)*	**1,054,982**	1,026,473
Cash and cash equivalents (Note 29)	**8,190,061**	7,973,769
Trade receivables (Note 26)	**1,180,522**	781,432
Bills receivable (Note 26)	**496,205**	46,070
	20,172,537	21,384,758

* In addition, shares of Shanshui Cement with carrying amount of RMB732.23 million (2016: RMB833.52 million) are subject to the negative pledge covenant in relation to a bank borrowing of HKDNil million (equivalent to RMBNil million) (2016: HKD1,450.00 million (equivalent to RMB1,214.81 million)).

32 DEFERRED INCOME TAX

The following are the major deferred income tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustments on available-for-sale investment *RMB'000*	Fair value adjustments on properties *RMB'000*	Fair value adjustments on intangible assets *RMB'000*	Fair value adjustments on prepaid lease payments *RMB'000*	Write-down of inventories and trade and other receivables *RMB'000*	Impairment for properties *RMB'000*	Tax losses *RMB'000*	Financial guarantee contracts *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2016:	(49,561)	(683,014)	(1,095,294)	(353,301)	483,218	818,055	2,442,504	16,087	312,758	1,891,452
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	(93,368)	24,230	(1,352)	–	181,058	28,555	593,922	–	13,154	746,199
Credit to the consolidated other comprehensive income (Note 12(b))	3,315	–	–	–	–	–	–	–	–	3,315
As at 31 December 2016 and 1 January 2017	(139,614)	(658,784)	(1,096,646)	(353,301)	664,276	846,610	3,036,426	16,087	325,912	2,640,966
Arising from acquisition of subsidiaries (Note 38(a))	–	(64,310)	(42,898)	–	16,384	70,525	6,472	–	(9)	(13,836)
Arising from disposal of subsidiaries (Note 38(b))	–	491	449	–	(64)	(1,855)	–	–	2	(977)
Credit/(charge) to the consolidated statement of profit or loss (Note 12(a))	24,030	(1,610)	(28,594)	–	66,967	(61,685)	(216,903)	(14,245)	52,216	(179,824)
Credit to the consolidated other comprehensive income (Note 12(b))	15,823	–	–	–	–	–	–	–	–	15,823
As at 31 December 2017	(99,761)	(724,213)	(1,167,689)	(353,301)	747,563	853,595	2,825,995	1,842	378,121	2,462,152

32 DEFERRED INCOME TAX *(CONTINUED)*

	2017 RMB'000	2016 RMB'000
For presentation purpose:		
Deferred income tax assets	**4,729,030**	4,821,436
Deferred income tax liabilities	**(2,266,878)**	(2,180,470)
	2,462,152	2,640,966

The Group has unused tax losses that were not recognised as deferred income tax assets due to the unpredictability of future profits streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	2017 RMB'000	2016 RMB'000
Unused tax losses expiring in:		
2017	**–**	2,114,986
2018	**2,591,491**	2,694,408
2019	**3,837,717**	2,811,533
2020	**3,317,226**	3,558,890
2021	**2,399,758**	3,078,955
2022	**3,904,287**	–
	16,050,479	14,258,772

33 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2017, certain fixtures and equipment are under finance leases. The average lease term is 1 to 9 years (2016: 1 to 9 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at range of 3.24% to 8.00% (2016: 3.24% to 8.00%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		**Present value of minimum lease payments**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
Within one year	**9,164,398**	5,304,270	**9,015,132**	4,935,082
More than one year but less than two years	**4,897,617**	7,931,328	**4,445,882**	7,275,980
More than two years but less than five years	**5,128,750**	7,507,297	**4,569,817**	6,865,514
	19,190,765	20,742,895	**18,030,831**	19,076,576
Less: future finance charge	**(1,159,934)**	(1,666,319)	**N/A**	N/A
Present value of lease obligations	**18,030,831**	19,076,576	**18,030,831**	19,076,576
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(9,015,132)**	(4,935,082)
			9,015,699	14,141,494

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

34 FINANCIAL GUARANTEE CONTRACTS

	2017	2016
	RMB'000	*RMB'000*
As at 1 January	**56,981**	56,981
Settlement	**(143)**	–
As at 31 December	**56,838**	56,981

Subsidiaries had guaranteed bank borrowings of former related parties which are independent to the Group. The fair value of the guarantees granted amounting to approximately RMB56.84 million (2016: approximately RMB56.98 million) is recognised as a liability.

The carrying amount of financial guarantee contracts are analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Current portion	**56,838**	56,981

35 SHARE CAPITAL

	Domestic Shares (Note (a))		**H Shares (Note (b))**		
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Total capital**
		RMB'000		*RMB'000*	*RMB'000*
Registered and paid up shares of RMB1.0 each					
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

There are no movements in share capital during the years ended 31 December 2017 and 2016.

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares subscribed for and credited as fully paid up in RMB by persons other than PRC government and/or PRC incorporated entities only.

Other than the specific requirements on the holders of the shares as set out in Notes (a) and (b), the shares mentioned above rank pari passu in all respects with each other.

36 RESERVES

(a) Capital reserve

Capital reserve mainly comprised: (i) the excess/deficiency of the carrying amount of net assets over the purchase consideration for subsidiaries acquired under common control, and (ii) the excess/deficiency of the considerations paid for/received from over the changes in the carrying amounts of non-controlling interests in the acquisitions of further interests in subsidiaries or disposal of part interests in subsidiaries, respectively.

(b) Statutory surplus reserve fund

According to relevant laws and regulations of the PRC, the Company and its subsidiaries established in the PRC are required to make an appropriation at the rate of 10 percent of the profit after income tax of the respective company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve fund until the balance has reached 50 percent of the registered capital of the respective company. Upon approval from the authorities, the statutory surplus reserve fund can be used to offset accumulated losses or to increase share capital, when it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25 percent of the share capital.

(c) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period.

37 PERPETUAL CAPITAL INSTRUMENTS

On 16 October 2017, 15 November 2016, 6 November 2015 and 3 November 2014, the Company issued the perpetual interest-bearing debentures in an aggregate principal amounts of RMB16,500.00 million with coupon rates ranging from 4.30% to 5.70% for the first five interest-bearing years. The net proceeds after deducting the issuance cost amounted to approximately RMB4,482.75 million, RMB1,998.22 million, RMB4,954.15 million and RMB4,955.00 million, respectively. Unless a mandatory interest payment event has occurred, on each interest payment date of the perpetual interest-bearing debentures, the Company can elect to defer payment of interest due and all interest deferred pursuant to this term and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The aforesaid deferral of interest shall not constitute a default by the Company. Interest shall accrue on the deferred interest at the prevailing coupon rate over the period of deferral. The perpetual interest-bearing debentures have no maturity date and will continue indefinitely until redeemed by the Company in accordance with their terms. The Company is entitled to redeem the perpetual capital instruments at par value plus payable interest (including all deferred interest) on the fifth and each of the subsequent interest payment dates of the perpetual interest-bearing debentures. If the Company does not exercise the right of redemption, the coupon rate will be reset every five years from the sixth interest-bearing year onwards.

37 PERPETUAL CAPITAL INSTRUMENTS *(CONTINUED)*

In December 2017, a wholly owned subsidiary of the Company entered into a perpetual capital instrument agreement with an independent third party with the aggregate principal amount of RMB180.00 million. The perpetual capital instrument has no fixed maturity date and repayable at the subsidiary's option at its principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instrument is 5.60% per annum for the first year and will be adjusted with reference to the 3-year benchmark lending rate in subsequent years. The payments of distribution can be deferred at the discretion of the subsidiary. While any distributions are unpaid or deferred, the subsidiary cannot declare or pay dividends to the shareholders. Therefore, the perpetual capital instrument is classified as equity instrument and presented as a part of equity in the consolidated statement of financial position.

Interest payment of RMB602.70 million (2016: RMB516.50 million) has been paid by the Group to the holders of the above-mentioned perpetual capital instruments for the year ended 31 December 2017.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries not under common control

During 2017, the Group acquired 34 (2016: 2) subsidiaries and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the equity investment management and production and sale of cement and concrete.

These acquisitions have been accounted for using the acquisition method.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(Continued)*

Summary of net assets acquired in the transactions during the year, and the goodwill arising, are as follows:

	2017 **Fair value** ***RMB'000***	2016 Fair value *RMB'000*
Net assets acquired:		
Property, plant and equipment (Note 15)	**2,276,852**	142,966
Prepaid lease payments (Note 16)	**716,589**	93,602
Intangible assets (Note 19)	**82,377**	–
Available-for-sales financial assets	**–**	1,000
Deferred income tax assets (Note 32)	**93,372**	–
Inventories	**380,113**	416
Trade and other receivables	**3,322,406**	1,311,550
Amounts due from the related parties	**1,227,448**	–
Pledged bank deposits	**7,000**	5,500
Cash and cash equivalents	**197,293**	30,427
Trade and other payables	**(3,649,906)**	(1,427,071)
Current income tax liabilities	**(28,507)**	(2,585)
Dividend payable to non-controlling interests	**(922,805)**	–
Amounts due to the related parties	**(1,567,902)**	–
Borrowings	**(90,000)**	–
Obligations under finance leases	**–**	(16,450)
Deferred income tax liabilities (Note 32)	**(107,208)**	–
Net assets	**1,937,122**	139,355
Non-controlling interests	**(94,392)**	(17,594)
Discount on acquisition of interests in subsidiaries (Note 8)	**(216,132)**	(3,097)
Interest transferred from available-for-sales financial assets	**–**	(300)
Interest transferred from interests in associates	**(250,208)**	–
Goodwill (Note 18)	**2,387,802**	–
Total consideration	**3,764,192**	118,364

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2017	2016
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**723,265**	–
Other payables (Note)	**365,426**	–
Trade receivables	**–**	118,364
Transferred from prepayment	**2,675,501**	–
	3,764,192	118,364
Net cash (outflow)/inflow arising on acquisition:		
Cash consideration paid	**(723,265)**	–
Less: Cash and cash equivalents acquired	**197,293**	30,427
	(525,972)	30,427

Note: Included in other payables is an amount of RMB103.47 million which will be offset against receivables from the former shareholders of the acquired subsidiary after the end of the reporting period pursuant to the supplementary agreement on repayment.

The goodwill arising on the acquisition of these companies is mainly attributable to the benefit of expected revenue growth and future market development, and the synergies in consolidating the Group's cement and concrete operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The discount on acquisition was the result of losses incurred by those subsidiaries in prior years' operations and the additional capital to be injected by the Group required to expand the production facilities in future.

Included in the revenue and profit for the year are approximately RMB1,933.64 million and RMB130.70 million respectively attributable to the additional business mainly generated by these newly acquired companies.

Had these business combinations been effected at 1 January 2017, the revenue of the Group would be approximately RMB128,112.36 million and profit for the year of the Group would be approximately RMB6,175.86 million. The management of the Company considers these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Details of the Group's significant acquisitions during the year are as follows:

The nineteen subsidiaries of Mudanjiang North Cement Company Limited ("牡丹江北方水泥有限公司") ("MNC")

On 18 August 2017, North Cement Company Limited ("North Cement") (a 70% owned subsidiary of the Company) and MNC entered into the equity transfer agreements, pursuant to which North Cement has agreed to purchase, and MNC has agreed to sell, the equity interests held by MNC in its nineteen subsidiaries, for an aggregate consideration of approximately RMB2,299.48 million.

The transaction has been completed during the year and the acquired subsidiaries are principally engaged in production and sale of cement and concrete.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2017 Fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	1,282,465
Prepaid lease payments	208,689
Intangible assets	32,346
Deferred income tax assets	25,462
Inventories	202,790
Trade and other receivables	1,163,755
Amount due from the related parties	384,879
Cash and cash equivalents	49,757
Trade and other payables	(1,226,230)
Current income tax liabilities	(3,366)
Dividend payable to non-controlling interests	(366,544)
Amount due to the related parties	(1,059,000)
Deferred income tax liabilities	(31,328)
Net assets	663,675
Non-controlling interests	(95,225)
Goodwill	1,731,025
Total consideration	2,299,475

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2017 *RMB'000*
Total consideration satisfied by:	
Transferred from prepayments	**2,299,475**
	2,299,475
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**49,757**

Included in the revenue and profit for the year are approximately RMB498.04 million and RMB23.30 million respectively attributable to the additional business generated by acquired subsidiaries.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Mudanjiang North Cement Company Limited ("牡丹江北方水泥有限公司") ("MNC")

On 18 August 2017, North Cement and Liaoyuan Jingang Cement (Group) Company Limited ("遼源金剛水泥(集團)有限公司") ("Jingang Group") entered into an equity transfer agreement, pursuant to which North Cement has agreed to purchase the equity interests held by Jingang Group in MNC at the consideration of approximately RMB376.83 million.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2017 **Fair value** ***RMB'000***
Net assets acquired:	
Property, plant and equipment	**344,344**
Prepaid lease payments	**173,783**
Intangible assets	**39,405**
Deferred income tax assets	**6,421**
Inventories	**73,163**
Trade and other receivables	**805,927**
Amount due from the related parties	**798,332**
Cash and cash equivalents	**115,414**
Trade and other payables	**(1,218,941)**
Current income tax liabilities	**(10,036)**
Dividend payable to non-controlling shareholders	**(556,261)**
Amount due to the related parties	**(131,111)**
Deferred income tax liabilities	**(48,037)**
Net assets	**392,403**
Interest transferred from interests in associates	**(192,277)**
Goodwill	**176,708**
Total consideration	**376,834**

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2017
	RMB'000
Total consideration satisfied by:	
Cash	**140,000**
Other payables	**70,269**
Transferred from prepayments	**166,565**
	376,834
Net cash outflow arising on acquisition	
Cash consideration paid	**(140,000)**
Cash and cash equivalents acquired	**115,414**
	(24,586)

Included in the revenue and profit for the year are approximately RMB199.38 million and RMB28.21 million respectively attributable to the additional business generated by acquired subsidiary.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

Jiangsu Shuang Long Group Limited ("江蘇雙龍集團有限公司") ("Shuang Long")

During the year ended 31 December 2017, China United Cement Corporation ("China United"), a wholly owned subsidiary of the Company, acquired 100% of the equity interest of Shuang Long at the consideration of approximately RMB470.89 million. The acquired subsidiary is principally engaged in production and sale of cement and concrete.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2017 **Fair value** ***RMB'000***
Net assets acquired:	
Property, plant and equipment	**137,503**
Prepaid lease payments	**51,914**
Deferred income tax assets	**1,134**
Inventories	**8,374**
Trade and other receivables	**650,927**
Cash and cash equivalents	**2,441**
Trade and other payables	**(350,237)**
Amounts due to the related parties	**(49)**
Borrowings	**(90,000)**
Net assets	**412,007**
Goodwill	**58,881**
Total consideration	**470,888**

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2017
	RMB'000
Total consideration satisfied by:	
Cash	**379,088**
Other payables	**61,800**
Transferred from prepayments	**30,000**
	470,888
Net cash outflow arising on acquisition:	
Cash consideration paid	**(379,088)**
Cash and cash equivalents acquired	**2,441**
	(376,647)

Included in the revenue and profit for the year are approximately RMB757.82 million and RMB41.49 million respectively attributable to the additional business generated by acquired subsidiary.

38 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries

During the year ended 31 December 2017, the Group disposed its equity interest in 6 (2016: Nil) subsidiaries to third parties. The net assets of the disposed subsidiaries at the date of disposal were as follows:

	2017 **RMB'000**	2016 RMB'000
Net assets disposed of:		
Property, plant and equipment (Note 15)	**587,570**	–
Goodwill (Note 18)	**21,600**	–
Prepaid lease payment (Note 16)	**3,119**	–
Intangible assets (Note 19)	**446**	–
Deferred income tax assets (Note 32)	**1,919**	–
Trade and other receivables	**235,146**	–
Cash and cash equivalents	**8,479**	–
Trade and other payables	**(646,806)**	–
Current income tax liabilities	**(60)**	–
Amounts due to related parties	**(33,206)**	–
Borrowings	**(154,485)**	–
Deferred tax liabilities (Note 32)	**(942)**	–
Non-controlling interests	**(2,701)**	–
Net assets disposal of	**20,079**	–
Consideration received:		
Cash received	**77,817**	–
Deferred cash consideration	**86,310**	–
	164,127	–
Gain on disposal of subsidiaries:		
Consideration received and receivable	**164,127**	–
Net assets disposed of	**(20,079)**	–
Direct costs attributable to disposal	**(33)**	–
Gain on disposal of subsidiaries, net (Note 8)	**144,015**	–
Net cash inflow arising from disposal of subsidiaries:		
Cash consideration	**77,817**	
Direct costs attributable to disposal	**(33)**	
Cash and cash equivalents disposed of	**(8,479)**	–
Net cash inflow from disposal of subsidiaries	**69,305**	–

39 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

For the year ended 31 December 2017, the Group acquired additional issued shares of 2 (2016: 4) subsidiaries for a consideration of approximately RMB23.27 million (2016: RMB4,988.05 million). The carrying amount of the non-controlling interests in these subsidiaries on the date of acquisition was approximately RMB19.40 million (2016: RMB2,313.35 million). The Group recognised a decrease in non-controlling interests of approximately RMB19.40 million (2016: RMB2,313.35 million) and a decrease in equity attributable to owners of the Group of approximately RMB3.87 million (2016: RMB2,674.70 million).

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**19,399**	2,313,350
Consideration paid to non-controlling interests	**(23,270)**	(4,988,050)
Excess of consideration paid recognised within parent's equity	**(3,871)**	(2,674,700)

Details of the Group's significant acquisition of additional interests in subsidiaries during both years are as follows:

During the year ended 31 December 2017, the Group acquired additional equity interests in Zhongyi Kaisheng (Bengbu) Glass Cold End Machinery Co., Ltd ("中意凱盛(蚌埠)玻璃冷端機械有限公司") for a consideration of approximately RMB23.00 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB19.12 million. The Group recognised a decrease in non-controlling interests of approximately RMB19.12 million and a decrease in equity attributable to owners of the Company of approximately RMB3.88 million.

During the year ended 31 December 2016, the Group acquired additional issued shares of Shenyang Dexin Lihe Property Development Limited ("瀋陽德信利和房地產開發有限公司") for a consideration of approximately RMB9.93 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB16.17 million. The Group recognised an increase in non-controlling interests of approximately RMB16.17 million and a decrease in equity attributable to owners of the Company of approximately RMB26.10 million.

During the year ended 31 December 2016, the Group acquired additional issued shares of South Cement for a consideration of approximately RMB458.04 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB450.99 million. The Group recognised a decrease in non-controlling interests of approximately RMB450.99 million and a decrease in equity attributable to owners of the Company of approximately RMB7.15 million.

39 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisition of additional interests in subsidiaries without change in control *(continued)*

On 14 October 2016, BNBM acquired 35% more shareholding of Taishan Gypsum with the consideration of approximately RMB4,195.50 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB1,654.47 million. The Group recognised a decrease in non-controlling interests of approximately RMB1,654.47 million and a decrease in equity attributable to owners of the Company of approximately RMB2,541.03 million.

(b) Deemed partial disposal of interests in subsidiaries without losing control

	2017 ***RMB'000***	2016 *RMB'000*
Carrying amount of equity interest obtained by non-controlling interests	**(8,349)**	(1,931,316)
Capital contributed by non-controlling interests	**–**	4,184,261
(Loss)/gain on disposal within equity	**(8,349)**	2,252,945

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the year ended 31 December 2017 and 2016 are as follows:

During the year ended 31 December 2017, China United Cement Corporation, a wholly owned subsidiary of the Company, transferred the equity interest in a wholly-owned subsidiary, Bayan Nur Zhong Lian Tuan Yang Cement Company Limited ("巴彥淖爾中聯團羊水泥有限公司") ("Tuan Yang", to a partially-owned subsidiary, Bayan Nur Zhong Lian Cement Company Limited ("巴彥淖爾中聯水泥有限公司") ("Bayan Nur"). After that, the Group's effective equity interest in Tuan Yang were diluted from 100% to 60%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB8.35 million and increase in non-controlling interests of approximately RMB8.35 million.

During the year ended 31 December 2016, non-controlling parties of China Triumph injected RMB11.20 million as registered capital. After that, the Company's effective equity interest in China Triumph were diluted from 93.09% to 91%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB63.90 million and increase in non-controlling interests of approximately RMB75.10 million.

39 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control *(continued)*

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

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

40 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 3.1 to the consolidated financial statements, the acquisition of Zhuzhou Sinoma Concrete has been accounted for based on merger accounting. Accordingly, the assets and liabilities of Zhuzhou Sinoma Concrete acquired by the Group have been accounted for at historical cost and the consolidated financial statements of the Group for year prior to the combination have been restated to include the financial position and results of operation of Zhuzhou Sinoma Concrete on a combined basis. The details of the restated balances are stated as below.

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2015 and 2016 are as follows:

2015

	The Group excluding Zhuzhou Sinoma Concrete	Zhuzhou Sinoma Concrete	Adjustments	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities				
Property, plant and equipment	126,225,430	12,655	–	126,238,085
Investment properties	323,395	18,432	–	341,827
Other non-current assets	86,169,664	–	–	86,169,664
Trade and other receivables	69,693,707	24,465	–	69,718,172
Amounts due from related parties	12,694,943	797	–	12,695,740
Cash and cash equivalents	10,584,045	54	–	10,584,099
Other current assets	24,127,647	–	–	24,127,647
Trade and other payables	(46,291,969)	(17,854)	–	(46,309,823)
Amounts due to related parties	(7,342,940)	(49,670)	–	(7,392,610)
Other current liabilities	(150,807,714)	–	–	(150,807,714)
Other non-current liabilities	(51,884,148)	–	–	(51,884,148)
Net assets/(net liabilities)	73,492,060	(11,121)	–	73,480,939
Equity				
Share capital	5,399,026	10,000	(10,000)	5,399,026
Reserves	36,516,657	(21,121)	14,423	36,509,959
Owners of the Company	41,915,683	(11,121)	4,423	41,908,985
Perpetual capital instruments	9,994,863	–	–	9,994,863
Non-controlling interests	21,581,514	–	(4,423)	21,577,091
Total equity/(deficit)	**73,492,060**	**(11,121)**	**–**	**73,480,939**

40 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

2016

	The Group excluding Zhuzhou Sinoma Concrete *RMB'000*	**Zhuzhou Sinoma Concrete** *RMB'000*	**Adjustments** *RMB'000*	**Consolidated** *RMB'000*
Assets and liabilities				
Property, plant and equipment	129,088,091	7,639	–	129,095,730
Investment properties	315,660	17,840	–	333,500
Other non-current assets	86,679,153	–	–	86,679,153
Trade and other receivables	76,576,890	5,466	–	76,582,356
Amounts due from related parties	11,928,255	797	–	11,929,052
Cash and cash equivalents	10,250,639	1,411	–	10,252,050
Other current assets	25,915,486	–	–	25,915,486
Trade and other payables	(49,353,538)	(7,345)	–	(49,360,883)
Amounts due to related parties	(6,058,394)	(49,670)	–	(6,108,064)
Other current liabilities	(147,991,672)	–	–	(147,991,672)
Other non-current liabilities	(61,783,033)	–	–	(61,783,033)
Net assets/(net liabilities)	75,567,537	(23,862)	–	75,543,675
Equity				
Share capital	5,399,026	10,000	(10,000)	5,399,026
Reserves	36,450,806	(33,862)	17,091	36,434,035
Owners of the Company	41,849,832	(23,862)	7,091	41,833,061
Holders of perpetual capital instruments	12,003,686	–	–	12,003,686
Non-controlling interests	21,714,019	–	(7,091)	21,706,928
Total equity/(deficit)	**75,567,537**	**(23,862)**	**–**	**75,543,675**

40 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The reconciliation of the effect, arising from the common control combination on the consolidated statements of profit or loss for the year ended 31 December 2016 are as follows:

2016

	The Group excluding Zhuzhou Sinoma Concrete	Zhuzhou Sinoma Concrete	Adjustments	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	101,546,783	–	–	101,546,783
Cost of sales	(74,755,173)	–	–	(74,755,173)
Gross profit	26,791,610	–	–	26,791,610
Investment and other income, net	3,637,098	1,060	–	3,638,158
Selling and distribution costs	(7,239,443)	–	–	(7,239,443)
Administrative expense	(10,598,576)	(13,802)	–	(10,612,378)
Finance costs, net	(9,293,513)	1	–	(9,293,512)
Share of profits of associates	763,260	–	–	763,260
Profit/(loss) before income tax	4,060,436	(12,741)	–	4,047,695
Income tax expense	(1,238,192)	–	–	(1,238,192)
Profit/(loss) for the year	2,822,244	(12,741)	–	2,809,503
Profit/(loss) attributable to:				
Owners of the Company	1,058,171	(12,741)	2,668	1,048,098
Holders of perpetual capital instruments	527,103	–	–	527,103
Non-controlling interests	1,236,970	–	(2,668)	1,234,302
	2,822,244	(12,741)	–	2,809,503

40 BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The effect of the business combinations of entities under common control described above, on the Group's basic and diluted earnings per share for the year ended 31 December 2016 is as follows:

	Impact on earnings per share of the Group *RMB*
Reported figures before restatement	0.196
Restatement arising from business combination of entities under common control	(0.002)
Restated	0.194

The effect of business combinations of entities under common control described above on the Group's net profit for the year ended 31 December 2016 is as follows:

	Impact on net profit of the Group *RMB'000*
Reported figures before restatement	2,822,244
Restatement arising from business combination of entities under common control	(12,741)
Restated	2,809,503

41 CONTINGENT LIABILITIES AND LITIGATION

At the reporting date, the Group did not have any contingent liabilities of potential future payments under guarantees:

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

References are made to the overseas regulatory announcement dated 30 May 2010 by the Company reproducing the announcement of BNBM in respect of the gypsum board in the United States and the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third quarterly report, the 2015 annual report, the 2016 interim report, the 2016 annual report, the announcement dated 22 June 2017 and the announcement dated 22 March 2018 setting out information on the subsequent development of the gypsum board litigation in the United States.

In June 2017, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM and/or Taishan Gypsum are parties, each of BNBM and Taishan Gypsum has reached settlement with the plaintiffs of one of the gypsum board cases, namely Lennar Homes, LLC and U.S. Home Corporation (collectively, "Lennar"). According to the settlement agreement, BNBM and Taishan Gypsum have agreed to pay Lennar US$500,000 and US$6,000,000, respectively, to Lennar. The case filed by Lennar against BNBM and Taishan Gypsum has been fully settled.

In March 2018, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum and/or Taian Taishan Plasterboard Co., Ltd. (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan") are parties, BNBM and Taishan have jointly reached settlement with the plaintiff of one of the gypsum board cases, Meritage Homes of Floria, Inc. ("Meritage"). According to the terms of BNBM and Taishan's joint settlement with Meritage, Taishan has agreed to pay Meritage US$1,380,000, in instalments by 30 March 2018, in full and final settlement of Meritage's respective claims against BNBM and Taishan, and Meritage has agreed to withdraw all claims and allegations against BNBM and Taishan, respectively, from the Twentieth Judicial Circuit Court of Lee County of Florida within three working days of receiving in full the settlement amount from Taishan.

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

42 COMMITMENTS

	2017 **RMB'000**	2016 RMB'000
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**524**	1,024
	524	1,024

43 OPERATING LEASE COMMITMENTS

Lessee

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**33,838**	74,126
In the second to fifth year inclusive	**36,198**	201,627
Over five years	**2,361**	9,131
	72,397	284,884

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen years (2016: fourteen years) and rentals are fixed for an average term of fourteen years (2016: fourteen years).

Lessor

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2017 **RMB'000**	2016 RMB'000
Within one year	**204,305**	190,240
In the second to fifth year inclusive	**542,847**	149,070
Over five years	**219,197**	39,845
	966,349	379,155

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2016: one year to twenty years).

44 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and no-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related parties (Note27) *RMB'000*	Borrowings (Note31) *RMB'000*	Obligations under finance leases (Note33) *RMB'000*
At 1 January 2017	4,986,126	185,294,823	19,076,576
Financing cash flows	512,882	(8,801,142)	(1,045,745)
Acquisition of subsidiaries	1,567,902	90,000	–
Disposal of subsidiaries	(33,206)	(154,485)	–
At 31 December 2017	7,033,704	176,429,196	18,030,831

45 RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised), "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include the Parent and its subsidiaries (other than the Group), other government-related entities and subsidiaries ("other stated-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

45 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties

The Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries (collectively the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries:

	2017	2016
	RMB'000	*RMB'000*
Provision of production supplies to		
– The Parent Group	**599,887**	1,336,627
– Associates	**160,683**	230,523
– Non-controlling interests of subsidiaries	**262,169**	98,601
	1,022,739	1,665,751
Provision of support services to		
– The Parent Group	**475**	1,686
– Associates	**6,662**	8,214
	7,137	9,900
Rental income received from		
– The Parent Group	**2,977**	57,478
– Associates	**3,094**	22,084
	6,071	79,562
Rendering of engineering service to the Parent Group	**621,079**	1,169
Interest income received from		
– Parent Group	**1,490**	–
– Associate	**9,926**	7,540
– Non-controlling interest of subsidiaries	**529**	–
	11,945	7,540

45 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(Continued)*

	2017	2016
	RMB'000	*RMB'000*
Provision of production supplies by		
– The Parent Group	**402,378**	445,203
– Associates	**36,033**	560,688
– Non-controlling interests of subsidiaries	**73,275**	108,840
	511,686	1,114,731
Provision of support services by		
– The Parent Group	**7,774**	3,907
– Associates	**584**	–
– Non-controlling interests of subsidiaries	**971**	415
	9,329	4,322
Supplying of equipment by the Parent Group	**320,107**	34,193
Interest expense paid to non-controlling interests of subsidiaries	**16,288**	2,193
Provision of engineering services by the Parent Group	**249,972**	24,389
Supply of raw materials by		
– Associates	**586**	–
– Non-controlling interests of subsidiaries	**4,553**	–
	5,139	–
Supply of raw materials (limestone and clay) by the Parent Group	**371,855**	3,525

45 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions and balances with other state-owned enterprises in the PRC

During the year ended 31 December 2017, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2017 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2017	2016
	RMB'000	*RMB'000*
Short-term benefits	**7,476**	4,785
Post-employment benefits	**236**	208
	7,712	4,993

46 EMPLOYEE BENEFITS PLAN

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in Note 11.

47 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Information about the statement of financial position of the Company at the end of the reporting period includes:

	2017	2016
	RMB'000	*RMB'000*
Investments in subsidiaries	**27,164,097**	27,164,097
Other non-current assets	**2,275,521**	2,199,907
Amount due from subsidiaries	**70,374,935**	62,966,611
Other current assets	**1,987,363**	832,166
Non-current liabilities	**(22,186,462)**	(20,379,661)
Current liabilities	**(46,710,211)**	(44,503,306)
Net assets	**32,905,243**	28,279,814
Share capital (Note 35)	**5,399,026**	5,399,026
Reserves	**10,970,227**	10,877,102
Perpetual capital instruments	**16,535,990**	12,003,686
Total equity	**32,905,243**	28,279,814

47 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(b) Details of the changes in the company's individual components of reserves between the beginning and the end of the year are set out below:

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Fair value reserve (Note 36(b)) *RMB'000*	Statutory surplus reserve fund (Note 36(a)) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual capital instruments (Note 37) *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	5,399,026	4,824,481	501,310	4,949	1,104,467	3,589,700	15,423,933	9,994,863	25,418,796
Net profit for the year	–	–	–	–	–	1,051,655	1,051,655	527,103	1,578,758
Other comprehensive income for the year	–	–	–	304	–	–	304	–	304
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	1,998,220	1,998,220
Dividends (Note 13)	–	–	–	–	–	(199,764)	(199,764)	–	(199,764)
Appropriation to statutory reserve	–	–	–	–	189,391	(189,391)	–	–	–
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	(516,500)	(516,500)
Balance at 31 December 2016 and 1 January 2017	5,399,026	4,824,481	501,310	5,253	1,293,858	4,252,200	16,276,128	12,003,686	28,279,814
Net profit for the year	–	–	–	–	–	321,026	321,026	652,055	973,081
Other comprehensive income for the year	–	–	–	4,257	–	–	4,257	–	4,257
Issue of perpetual capital instruments, net of issuance cost (Note 37)	–	–	–	–	–	–	–	4,482,750	4,482,750
Dividends (Note 13)	–	–	–	–	–	(232,158)	(232,158)	–	(232,158)
Appropriation to statutory reserve	–	–	–	–	140,484	(140,484)	–	–	–
Interest paid on perpetual capital instruments (Note 37)	–	–	–	–	–	–	–	(602,501)	(602,501)
Balance at 31 December 2017	5,399,026	4,824,481	501,310	9,510	1,434,342	4,200,584	16,369,253	16,535,990	32,905,243

48 EVENTS AFTER THE END OF THE REPORTING PERIOD

Merger Agreement with Sinoma

Reference is made to the Merger Agreement with Sinoma as set out in the section headed "NON-EXEMPT CONNECTED TRANSACTIONS" in this annual report. The highest relevant percentage ratio for transaction classification under the Listing Rules in respect of the relevant acquisition and the issue and exchange of H Shares and Unlisted Shares of the Company pursuant to the Merger exceeds 25% and is lower than 100%. As a result, the Merger will constitute a major acquisition for the Company.

For details of the Merger Agreement with Sinoma, please refer to the section headed "NON-EXEMPT CONNECTED TRANSACTIONS" in this annual report. The transaction has been disclosed in the joint announcement dated 8 September 2017, the circular dated 29 September 2017, the circular and the joint announcement dated 20 October 2017, the overseas regulatory announcement dated 31 October 2017, the joint announcement dated 6 November 2017, the supplemental circular and the joint announcement dated 17 November 2017, the joint announcement dated 23 November 2017, the announcement dated 6 December 2017, the overseas regulatory announcement dated 7 December 2017, the joint announcement dated 18 December 2017, the joint announcement dated 21 December 2017, the overseas regulatory announcement dated 22 December 2017, the announcement dated 29 December 2017, the overseas regulatory announcement dated 22 January 2018, the announcement dated 25 January 2018 and the joint announcement dated 16 March 2018. On 16 March 2018, all conditions to the Merger Agreement becoming effective and all conditions to the implementation of the Merger Agreement have been fulfilled and the parties may proceed to implement the Merger. As at the date of this report, the transaction has not been completed.

Financial Services Framework Agreement

Reference is made to the Financial Services Framework Agreement with Sinoma Finance as set out in the section headed "NON-EXEMPT CONTINUING CONNECTED TRANSACTION" in this annual report.

Pursuant to the agreement, Sinoma Finance has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions therein. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the provision of deposit services under the Framework Agreement exceeds 25%, the deposit services to be provided by Sinoma Finance to the Group also constitute a major transaction.

For details of the Financial Services Framework Agreement signed with Sinoma Finance, please refer to the statement in the section headed "NON-EXEMPT CONTINUING CONNECTED TRANSACTION" in this annual report. The transaction has been disclosed in the announcement of the Company dated 23 March 2018.

48 EVENTS AFTER THE END OF THE REPORTING PERIOD *(CONTINUED)*

Capital contribution to Zhejiang Sanshi South New Material Limited Company ("浙江三獅南方新材料有限公司") ("Sanshi South")

On 11 April 2018, Zhejiang South Cement (an indirect subsidiary of the Company) and Zhejiang Sanshi Group Limited Company ("浙江三獅集團有限公司") ("Sanshi Group") (a 100% indirectly-held subsidiary of the Parent), being shareholders of Sanshi South (a company 50% indirectly held by the Company and 50% indirectly held by the Parent and whose accounts are consolidated with the Parent), entered into a capital contribution agreement (the "Capital Contribution Agreement"), pursuant to which Zhejiang South Cement has agreed to make a capital contribution to Sanshi South in cash. Upon completion of the capital contribution, Sanshi South will be held as to 90% by the Company through Zhejiang South Cement and 10% by the Parent through Sanshi Group and will become a subsidiary of the Company.

For details of the capital contribution to Sanshi South, please refer to the announcement of the Company dated 11 April 2018. As at the date of this report, the transaction is yet to be completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**127,626,322**	101,546,783	100,362,429	122,015,448	117,704,791
Cost of sales	**(92,381,098)**	(74,755,173)	(75,742,646)	(88,736,063)	(87,565,728)
Gross profit	**35,245,224**	26,791,610	24,619,783	33,279,385	30,139,063
Investment and other income, net	**3,234,183**	3,638,158	6,294,274	4,962,218	4,204,299
Selling and distribution costs	**(8,160,125)**	(7,239,443)	(7,110,376)	(7,760,986)	(6,929,481)
Administrative expenses	**(12,072,311)**	(10,612,378)	(9,505,655)	(9,059,618)	(8,141,803)
Finance costs, net	**(9,735,438)**	(9,293,512)	(10,532,175)	(10,856,260)	(9,306,088)
Share of profits of associates	**1,051,501**	763,260	331,171	985,426	630,473
Profit before income tax	**9,563,034**	4,047,695	4,097,022	11,550,165	10,596,463
Income tax expense	**(3,222,894)**	(1,238,192)	(1,312,622)	(2,881,364)	(2,291,150)
Profit for the year	**6,340,140**	2,809,503	2,784,400	8,668,801	8,305,313
Profit attributable to:					
Owners of the Company	**3,224,802**	1,048,098	1,012,850	5,917,291	5,756,686
Holders of perpetual capital instruments	**652,530**	527,103	325,592	45,125	–
Non-controlling interests	**2,462,808**	1,234,302	1,445,958	2,706,385	2,548,627
	6,340,140	2,809,503	2,784,400	8,668,801	8,305,313
Final dividend proposed	**843,477**	232,158	199,764	890,839	863,844

EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**347,193,701**	340,787,327	329,875,234	316,584,940	291,742,944
Total liabilities	**(261,814,327)**	(265,243,652)	(256,394,295)	(249,579,792)	(238,119,765)
Perpetual capital instruments	**(16,716,270)**	(12,003,686)	(9,994,863)	(5,000,125)	–
Non-controlling interests	**(23,422,015)**	(21,706,928)	(21,577,091)	(21,401,534)	(18,195,407)
Equity attributable to owners of the Company	**45,241,089**	41,833,061	41,908,985	40,603,489	35,427,772

Note:

On 20 May 2017, one of the indirect subsidiaries of the Group, South New Materials Technology Company Limited (南方新材料科技有限公司) ("South New Materials") entered into an equity transfer agreement to acquire 51% and 49% equity interests of Zhuzhou Sinoma Concrete Co., Ltd. (株洲中材混凝土有限公司) ("Zhuzhou Sinoma Concrete") from Suzhou Concrete Cement Products Academy Co., Ltd. (蘇州混凝土水泥制品研究院有限公司) ("Suzhou Concrete Cement") and Sinoma Zhuzhou Cement Co., Ltd. (中材株洲水泥有限責任公司) ("Sinoma Zhuzhou Cement") at cash consideration of approximately RMB60,000 and RMB58,000, respectively, ("the Acquisition") and thus Zhuzhou Sinoma Concrete has become a subsidiary of the Group since then.

As Suzhou Concrete Cement, Sinoma Zhuzhou Cement and the Group are controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC"), the Acquisition has been accounted for based on the principles of merger accounting. The consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years presented above. Therefore, the consolidated financial information for the years ended 31 December 2013, 2014, 2015 and 2016 have been restated.