CNBM

China National Building Material Company Limited *

中國建材股份有限公司

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

(Stock Code: 3323)

Announcement of Annual Results
For the Year Ended 31 December 2017

For the year ended 31 December 2017, the Group's consolidated operating revenue amounted to RMB127,626.3 million, representing an increase of 25.7% as compared to the same period of 2016.

The audited profit attributable to equity holders of the Company amounted to RMB3,224.8 million, representing an increase of approximately 207.7% as compared to the same period of 2016.

Basic earnings per share was RMB0.597, representing an increase of 207.7% over the same period of 2016.

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 that 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 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) (2016: RMB232,158,129.27 in total (pre-tax)), representing RMB0.100 per share (pretax) (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. If the Company expects that 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.

The Board is pleased to announce the consolidated results and the financial position of the Group for the year ended 31 December 2017 prepared in accordance with IFRS, together with the consolidated results and financial position for the year of 2016 for comparison.

The audited financial statements of the Group for the year ended 31 December 2017 have been reviewed by the independent auditor, the Board and the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017**	2016
		RMB'000	*RMB'000*
			(Restated)
Revenue	4	**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	6	**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	7	**(9,735,438)**	(9,293,512)
Share of profits of associates		**1,051,501**	763,260
Profit before income tax	8	**9,563,034**	4,047,695
Income tax expense	9	**(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 *(RMB)*	11	**0.597**	0.194

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**6,340,140**	2,809,503
Other comprehensive expenses, net of tax: *(Note 9(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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000 (Restated)	2015 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment		**131,511,649**	129,095,730	126,238,085
Prepaid lease payments		**15,361,805**	14,660,619	14,512,689
Investment properties		**303,023**	333,500	341,827
Goodwill		**44,682,354**	42,604,255	42,604,255
Intangible assets		**7,805,299**	7,259,784	7,144,897
Interests in associates		**10,283,138**	10,715,153	10,347,973
Available-for-sale financial assets		**3,479,659**	3,095,655	3,331,163
Deposits		**2,854,836**	3,522,251	4,213,178
Deferred income tax assets		**4,729,030**	4,821,436	4,015,509
		221,010,793	216,108,383	212,749,576
Current assets				
Inventories		**16,381,022**	15,204,778	15,164,523
Trade and other receivables	12	**83,254,550**	76,582,356	69,718,172
Available-for-sale financial assets		**54,500**	43,998	132,480
Financial assets at fair value through profit or loss		**2,878,711**	2,692,941	3,084,343
Amounts due from related parties		**6,068,783**	11,929,052	12,695,740
Pledged bank deposits		**8,190,061**	7,973,769	5,746,301
Cash and cash equivalents		**9,355,281**	10,252,050	10,584,099
		126,182,908	124,678,944	117,125,658

	Note	**2017**	2016	2015
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Current liabilities				
Trade and other payables	13	**53,116,459**	49,360,883	46,309,823
Amounts due to related parties		**8,147,485**	6,108,064	7,392,610
Borrowings – amount due within one year		**130,485,081**	140,802,387	144,425,583
Obligations under finance leases		**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		**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
Non-current liabilities				
Borrowings – amount due after one year		**45,944,115**	44,492,436	30,501,188
Deferred income		**922,312**	968,633	1,108,573
Obligations under finance lases		**9,015,699**	14,141,494	18,150,330
Deferred income tax liabilities		**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

	Note	**2017**	2016	2015
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Capital and reserves				
Share capital		**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		**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

AUDITOR'S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, Baker Tilly HK, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly HK on the preliminary announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 BASIS OF PREPARATION

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 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.

2 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

2.1 Application of new and amendments to IFRSs

The Group has applied the following amendments to IFRSs issued by the 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.

2.2 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:

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.

- 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. 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.

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.

IFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3.1 Critical judgements in applying accounting policies

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

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

BNBM is a subsidiary of the Group although the Group has only 35.73% (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.

The management of the Company assessed whether or not the Group has control over BNBM based on whether the Group has the practical ability to direct the relevant activities of BNBM unilaterally. In making the judgement, the management considered the Group's absolute size of holding in BNBM and the relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of BNBM and therefore the Group has control over BNBM.

Significant influence over Shanghai Yaohua Pikington Glass Group Co., Ltd. (上海耀皮玻璃集團股份有限公司) ("Shanghai Yaohua")

Shanghai Yaohua is an associate of the Group although the Group only owns 12.74% (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.

3.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 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).

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.

Fair value measurements and valuation processes

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

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

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

Impairment of available-for-sale financial assets

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

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

4 REVENUE

	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

5 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.

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.

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

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

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)**

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.

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
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

	Cement	Concrete	New materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
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
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)

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

(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.

6 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	**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	**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	**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.

7 FINANCE COSTS, NET

	2017	2016
	RMB'000	*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.

8 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

9 INCOME TAX EXPENSE

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Current income tax	**3,043,070**	1,984,391
Deferred income tax	**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	2016
	RMB'000	*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.

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

	2017			2016		
	Before taxation	**Taxation credited**	**Net of taxation**	Before taxation	Taxation credited	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)

10 DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends paid	**232,158**	199,764
Proposed final dividend – RMB0.100 (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 share (pre-tax) distributed based on the issued shares of the Company of 8,434,770,662 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.

11 EARNINGS PER SHARE – BASIC AND DILUTED

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

	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.

12 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	**7,183,323**	6,109,450
Prepaid lease payments	**438,249**	358,573
Other receivables, deposits and prepayments	**31,959,562**	31,268,842
	83,254,550	76,582,356

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	2016
	RMB'000	*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	2016
	RMB'000	*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

(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.

13 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	**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.

BUSINESS HIGHLIGHTS

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

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 slowdown 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 CNBM Group and Sinoma Group at the group level, under the correct 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 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 CNBM Group and Sinoma 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at the date of this announcement 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%
		China Jushi	26.97%
Engineering services	Design and engineering EPC services: Float glass production lines and NSP cement production lines	China Triumph	91%

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.

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.

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.

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.

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.

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.

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 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.

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.

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.

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.

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.

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.

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

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 announcement.

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 material		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 effort 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.

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.

CORPORATE GOVERNANCE REPORT

During the year from 1 January 2017 to 31 December 2017, the Company was in full compliance with provisions of the Corporate Governance 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 Board of the Supervisory 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.

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).

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 and supervisors of the Company, the Company confirms that each of the Directors and supervisors has complied with the standards of the securities transactions by Directors as required by the Model Code and the Code for Securities Transactions of China National Building Material Company Limited.

AUDIT COMMITTEE

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 main duties of the Audit Committee include supervision of the financial reporting procedures of the Company, internal regulation and control as well as risk management work. During the reporting period, the Audit Committee has commenced work in accordance with the requirements of Chapter 14 of the Listing Rules. The Audit Committee has reviewed the financial report and results of the Group for the year ended 31 December 2017.

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 that 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 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 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.

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.

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.

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.

If the share exchange is completed before the convening date of the annual general meeting (13 June 2018), then 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.

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 announcement published by the Company on 18 August 2017 regarding the acquisition of equity interests in MNC and its subsidiaries. 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. As at the date of this announcement, the transaction has been completed.

Merger Agreement with Sinoma

Reference is made to 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. 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. As at the date of this announcement, the transaction has not been completed.

Financial Services Framework Agreement

Reference is made to the announcement of the Company dated 23 March 2018 in respect of the Financial Services Framework Agreement entered into between the Company and Sinoma Finance (the "**Framework Agreement**"). Pursuant to the Framework 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. The Parent holds directly and indirectly 41.27% of the issued share capital of the Company as at the date of this announcement and is therefore a substantial shareholder of the Company. Sinoma Finance is a subsidiary of the Parent, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. 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.

Details of the Financial Services Framework Agreement signed with Sinoma Finance has been disclosed in the announcement of the Company dated 23 March 2018.

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.

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

In accordance with the requirements under the Listing Rules which are applicable to the reporting period, the 2017 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2017 will be posted on the website of the Stock Exchange (website: http://www.hkex.com.hk) on or before 30 April 2018. This information will also be published on the website of the Company (website: http://cnbm.wsfg.hk).

DEFINITIONS

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

"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"Board"	the board of directors of the Company
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Jushi"	中國巨石股份有限公司 (China Jushi Co., Ltd.)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Director(s)"	the directors of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"GDP"	gross domestic product
"Group"	the Company and, except where the context otherwise requires, all its subsidiaries
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"IFRS"	International Financial Reporting Standards

"increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"MIIT"	Ministry of Industry and Information Technology of the People's Republic of China
"NBS"	中國國家統計局 (National Bureau of Statistics of China)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建築材料集團有限公司 (China National Building Material Group Corporation)
"PCP"	PCP, being Price–Cost–Profit
"PRC"	the People's Republic of China
"preparation, meticulosity, refinement, solidity"	planning operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the market and own features; enhancing management, meticulous organisation and delicate management to improve quality and profitability; working solidly to enhance the basis for development and strengthen foundation
"Reporting Period"	the period from 1 January 2017 to 31 December 2017
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Sinoma"	中國中材股份有限公司 (China National Materials Company Limited)

"Sinoma Finance"	中財集團財務有限公司 (Sinoma Group Finance Co., Ltd.)
"Sinoma Group"	Sinoma and its subsidiaries
"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)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)

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

Beijing, the PRC
23 March 2018

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

* *For identification only*