China National Materials Company Limited

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

(Stock code: 01893)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016	Change
	RMB million	*RMB million*	*%*
		(Restated)	
Total operating revenue	**56,989.89**	50,580.14	12.67
Net profit	**3,485.10**	1,156.99	201.22
Net profit attributable to shareholders of the Company	**1,752.15**	585.58	199.22
Basic earnings per share (RMB)	**0.49**	0.16	206.25

The Board announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Reporting Period**") together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

Unit: RMB

Item		*Notes*	**2017**	2016 (Restated)
I.	**Total operating revenue**		**56,989,891,043.31**	50,580,140,077.93
	Including: operating revenue	*4*	**56,989,891,043.31**	50,580,140,077.93
II.	**Total operating cost**		**53,492,196,207.12**	49,694,140,921.81
	Including: operating cost	*4*	**43,005,220,563.51**	40,317,784,383.91
	Taxes and surcharges		**601,340,266.63**	478,627,306.58
	Selling expenses		**2,202,996,155.56**	2,117,907,864.81
	Administrative expenses		**5,101,901,042.17**	4,398,144,711.35
	Financial expenses		**1,690,481,435.33**	1,384,709,058.37
	Asset impairment losses		**890,256,743.92**	996,967,596.79
	Add:income from changes in fair value (loss to be listed with "-")		**3,307,426.37**	3,847,413.56
	Investment income (loss to be listed with "-")		**148,130,803.43**	133,742,889.03
	Including:income from investment in associates and joint ventures		**4,871,805.64**	14,101,843.45
	Income from disposal of assets (loss to be listed with "-")		**124,906,289.81**	97,693,892.11
	Other income		**567,052,251.52**	–
III.	**Operating profit (loss to be listed with "-")**		**4,341,091,607.32**	1,121,283,350.82
	Add: non-operating income	*6*	**385,986,796.29**	705,439,425.86
	Less: non-operating expenses		**228,008,789.01**	117,381,418.72
IV.	**Total profit (total loss to be listed with "-")**		**4,499,069,614.60**	1,709,341,357.96
	Less: income tax expenses	*7*	**1,013,970,780.41**	552,354,951.02
V.	**Net profit (net loss to be listed with "-")**		**3,485,098,834.19**	1,156,986,406.94
	(I) Classified on a going concern basis		**3,485,098,834.19**	1,156,986,406.94
	1. Net profit from continuing operations (net loss to be listed with "-")		**3,423,633,763.56**	1,224,949,703.03
	2. Net profit from discontinued operations (net loss to be listed with "-")		**61,465,070.63**	–67,963,296.09

Item		Notes	2017	2016 (Restated)
	(II) Classified according to the ownership		**3,485,098,834.19**	1,156,986,406.94
	Net profit attributable to shareholders of the parent company		**1,752,146,736.65**	585,579,747.53
	Minority interests		**1,732,952,097.54**	571,406,659.41
VI.	**Net amount of other comprehensive income**		**401,197,977.60**	–217,581,595.42
	Other comprehensive income attributable to shareholders of the parent company (net of tax)		**379,860,457.76**	–99,954,551.24
	(I). Other comprehensive incomes that cannot be subsequently reclassified to profit or loss		**–3,448,339.65**	425,068.96
	1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan		**–3,448,339.65**	425,068.96
	2. Shares of other comprehensive income that cannot be reclassified to profit or loss of the investee entities under the equity method		**–**	–
	(II) Other comprehensive income that may be re-classified to profit or loss		**383,308,797.41**	–100,379,620.20
	1. Shares of other comprehensive income that may be subsequently reclassified to profit or loss of the investee entities under the equity method		**128,264.86**	–1,786,977.78
	2. Gains and losses arising from changes in fair value of available-for-sale financial assets		**371,806,478.82**	–133,271,443.62
	3. Gains and losses arising from reclassification of held-to-maturity investments into available-for-sale financial assets		**–**	–
	4. Effective portion of gains and losses arising from cash flow hedging		**–**	–
	5. Exchange differences on translation of foreign currency financial statements		**11,374,047.21**	34,678,328.21
	6. Others		**6.52**	472.99
	Other comprehensive income attributable to minority interests (net of tax)		**21,337,519.84**	–117,627,044.18

Item		*Notes*	**2017**	2016 (Restated)
VII.	**Total comprehensive income**		**3,886,296,811.79**	939,404,811.52
	Total comprehensive income attributable to shareholders of the parent company		**2,132,007,194.41**	485,625,196.29
	Total comprehensive income attributable to minority interests		**1,754,289,617.38**	453,779,615.23
VIII.	**Earnings per share:**			
	(I) Basic earnings per share		**0.49**	0.16
	(II) Diluted earnings per share		**0.49**	0.16

CONSOLIDATED BALANCE SHEET

31 December 2017

Unit: RMB

Item	*Notes*	**As at 31 December 2017**	As at 31 December 2016 (Restated)
Current assets:			
Monetary funds		**17,009,633,473.97**	17,943,300,814.10
Financial assets at fair value through profit or loss		**8,839,325.67**	5,302,903.32
Bills receivable		**6,897,226,721.08**	5,220,995,723.28
Accounts receivable	*10*	**8,149,188,944.45**	8,259,929,300.88
Prepayments		**4,506,614,924.81**	3,559,649,291.84
Interest receivable		**4,227,257.04**	14,854,583.91
Dividends receivable		**39,013,926.76**	39,137,097.90
Other receivables		**1,141,395,180.68**	1,009,868,828.14
Inventories		**7,554,376,371.38**	8,007,738,663.81
Held-for-sale assets		**86,829,697.19**	41,907,445.58
Non-current assets due within one year		**785,036,043.92**	190,206,006.45
Other current assets		**661,821,141.54**	531,862,352.98
Total current assets		**46,844,203,008.49**	44,824,753,012.19
Non-current assets:			
Available-for-sale financial assets		**3,201,491,617.15**	2,717,403,870.93
Held-to-maturity investments		**–**	–
Long-term receivables		**2,816,326,950.60**	1,409,191,067.46
Long-term equity investments		**339,399,797.53**	254,273,972.86
Investment properties		**528,555,825.50**	313,687,704.55
Fixed assets		**41,973,805,174.04**	42,747,108,952.51
Construction in progress		**2,323,973,875.24**	1,858,761,729.36
Construction materials		**2,749,309.77**	955,197.22
Disposal of fixed assets		**–**	2,760,748.79
Intangible assets		**4,764,707,593.13**	4,819,609,321.98
Development expenditures		**157,092,843.80**	106,592,418.23
Goodwill		**1,383,377,676.36**	1,532,196,983.00
Long-term prepayments		**687,927,651.19**	689,678,897.49
Deferred income tax assets		**1,145,330,168.48**	1,040,769,848.40
Other non-current assets		**219,185,045.51**	199,761,556.20
Total non-current assets		**59,543,923,528.30**	57,692,752,268.98
Total assets		**106,388,126,536.79**	102,517,505,281.17

Item	*Notes*	**As at 31 December 2017**	As at 31 December 2016 (Restated)
Current liabilities:			
Short-term borrowings		**13,644,188,904.17**	11,344,696,714.05
Financial liabilities measured at fair value through profit or loss		**477,119.23**	2,562,715.43
Bills payable		**3,599,507,386.65**	4,264,101,092.89
Accounts payable	*11*	**12,915,601,070.55**	12,784,414,182.25
Accounts received in advance		**10,981,880,074.73**	10,314,821,067.63
Employee benefits payable		**1,186,801,362.27**	854,091,109.09
Taxes payable		**893,395,689.62**	617,191,889.42
Interests payable		**237,748,281.79**	247,432,291.27
Dividends payable		**70,508,443.29**	132,117,503.90
Other payables		**1,416,780,086.28**	1,382,983,368.23
Non-current liabilities due within one year		**3,506,068,812.77**	3,798,417,393.78
Other current liabilities		**653,047,269.38**	6,563,564,483.01
Total current liabilities		**49,106,004,500.73**	52,306,393,810.95
Non-current liabilities:			
Long-term borrowings		**7,089,569,974.25**	6,711,162,503.78
Bonds payable		**8,079,012,732.49**	4,796,119,409.53
Including: preferred shares		**–**	–
Perpetual bond		**–**	–
Long-term payables		**467,626,848.27**	652,359,925.04
Long-term employee benefits payable		**319,746,406.68**	292,079,236.77
Special payables		**353,323,650.77**	316,625,893.91
Provisions		**348,026,625.85**	286,603,241.14
Deferred income		**710,846,536.95**	742,240,696.83
Deferred income tax liabilities		**875,402,484.67**	766,893,485.35
Other non-current liabilities		**–**	–
Total non-current liabilities		**18,243,555,259.93**	14,564,084,392.35
Total liabilities		**67,349,559,760.66**	66,870,478,203.30

Item	*Notes*	**As at 31 December 2017**	As at 31 December 2016 (Restated)
Shareholders' equity:			
Share capital	*12*	**3,571,464,000.00**	3,571,464,000.00
Other equity instruments		**–**	–
Including: preferred shares		**–**	–
Perpetual bond		**–**	–
Capital reserves		**6,120,701,268.69**	5,994,277,985.55
Less: treasury shares		**56,787,825.28**	–
Other comprehensive income		**1,645,045,050.07**	1,265,184,592.31
Special reserve		**277,227,503.25**	247,886,109.99
Surplus reserve		**218,083,746.87**	214,682,338.10
Provisions for general risk		**–**	–
Undistributed profits		**6,994,138,671.71**	5,353,537,263.83
Total equity attributable to shareholders of the parent company		**18,769,872,415.31**	16,647,032,289.78
Minority interests		**20,268,694,360.82**	18,999,994,788.09
Total shareholders' equity		**39,038,566,776.13**	35,647,027,077.87
Total liabilities and shareholders' equity		**106,388,126,536.79**	102,517,505,281.17

NOTES TO FINANCIAL STATEMENTS

From 1 January 2017 to 31 December 2017

(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

1. COMPANY PROFILE

China National Materials Company Limited (hereinafter referred to as "the Company", or collectively "the Group"if subsidiaries are included) has been restructured from China National Non-Metallic Materials Corporation which is a secondary enterprise owned by the whole people subordinated to China National Materials Group Corporation Ltd. (hereinafter referred to as "Sinoma Group"). The Company obtained the renewed Business License of Enterprise Legal Person issued by the State Administration for Industry & Commerce on 31 July 2007, and obtained the changed Business License issued by Beijing Administration for Industry & Commerce on 6 December 2016. The renewed address is Floor 8, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing. The Company was listed on the main board of The Stock Exchange of Hong Kong Limited on 20 December 2007. The controlling shareholder of the Company is Sinoma Group and ultimate holding party of the Company is China National Building Material Group Co., Ltd.. Main business of the Group is divided into three segments: cement equipment and engineering services, cement, and high-tech materials.

2. PREPARATION BASIS OF FINANCIAL STATEMENTS

(1) Preparation basis

On the going-concern basis, the financial statements of the Group have been prepared and disclosed in accordance with actually-occurring transactions and items, Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and other relevant regulations, Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 15 – General Provisions on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements in Rules Governing the Listing of Securities issued by Hong Kong Stock Exchange and Companies Ordinance of Hong Kong, and accounting policies and accounting estimates as set out in "3. Significant Accounting Policies and Accounting Estimates" in these Notes.

(2) Going concern

The Group has evaluated the going concern ability within 12 months since December 31, 2017 and has not found any event and condition causing substantial doubt about the going concern ability. These financial statements, therefore, are prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

(1) Declaration on compliance with accounting standards for business enterprises

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

(2) Accounting period

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

(3) Business cycle

The Group takes 12 months as a business cycle.

(4) Recording currency

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

Unless otherwise stated, among the following disclosed data in the financial statements, "beginning" refers to 1 January 2017; "ending" refers to 31 December 2017; "current year" refers to the period from 1 January to 31 December 2017;"previous year" refers to the period from 1 January to 31 December 2016; and the monetary unit is RMB.

4. Operating revenue and cost

(1) Details

	2017		2016 (Restated)	
Item	**Revenue**	**Cost**	Revenue	Cost
Main operation	**56,350,602,863.62**	**42,497,245,726.47**	50,203,754,436.37	40,099,724,924.43
Other operation	**639,288,179.69**	**507,974,837.04**	376,385,641.56	218,059,459.48
Total	**56,989,891,043.31**	**43,005,220,563.51**	50,580,140,077.93	40,317,784,383.91

(2) Classification of revenue by products

	2017		2016 (Restated)	
Item	**Revenue**	**Cost**	Revenue	Cost
Cement equipment and engineering services	**20,679,969,914.03**	**17,058,323,971.77**	20,483,294,631.92	17,828,365,070.69
Cement	**24,509,906,465.62**	**17,312,022,019.37**	19,699,966,213.27	14,743,561,787.04
High-tech materials	**11,799,865,191.92**	**8,634,874,572.37**	10,382,490,103.08	7,745,857,526.18
Others	**149,471.74**	**–**	14,389,129.66	–
Total	**56,989,891,043.31**	**43,005,220,563.51**	50,580,140,077.93	40,317,784,383.91

(3) Classification of revenue by regions

Item	2017		2016 (Restated)	
	Revenue	**Cost**	Revenue	Cost
China	**43,593,314,032.68**	**32,306,172,161.71**	34,548,944,041.04	26,245,873,904.99
Middle East	**1,218,182,969.87**	**992,786,748.99**	2,082,405,932.50	2,006,028,388.80
Africa	**5,085,084,594.46**	**3,848,252,228.80**	6,833,418,628.10	6,230,624,062.72
Other Asian countries	**4,005,051,592.84**	**3,329,328,203.15**	4,291,951,217.84	3,635,070,178.08
Europe	**1,715,501,883.97**	**1,295,770,825.20**	1,912,813,431.70	1,525,926,107.41
America	**1,294,115,758.98**	**1,195,115,126.62**	817,349,753.27	607,393,322.43
Other regions	**78,640,210.51**	**37,795,269.04**	93,257,073.48	66,868,419.48
Total	**56,989,891,043.31**	**43,005,220,563.51**	50,580,140,077.93	40,317,784,383.91

5. SEGMENT INFORMATION

(1) Determination basis and accounting policy of reportable segments

Operating segments of the Group are determined based on the internal organizational structure, management requirements and internal reporting system. An operating segment of the Group refers to the component satisfying the following conditions:

1) The component can generate incomes and incur expenses in daily activities;

2) The management can regularly evaluate the operating results of the component to determine its resource allocation and evaluate its performance;

3) Accounting information about the component such as financial situation, operating results and cash flow can be obtained.

At present, the Group has three operating segments: cement equipment and engineering services, cement, and high-tech materials. Since each segment has different operating characteristics, the Group determines the reportable segments based on the operating segments. The reportable segments are also the said three segments.

Accounting policies for each operating segment of the Group is the same as those described in “Significant accounting policies and accounting estimates”.

(2) Financial information about reportable segments in current year

Pre-tax profits, assets and liabilities divided based on products or business of segments

Item	Cement equipment and engineering services	Cement	High-tech materials	Others	Offset	Total
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Operation revenue	21,847.57	24,540.57	11,841.52	39.11	1,278.88	56,989.89
Including: external transaction revenue	20,679.97	24,509.91	11,799.86	0.15	–	56,989.89
Intra-segment transaction revenue	1,167.60	30.66	41.66	38.96	1,278.88	–
Operating costs	18,165.89	17,415.50	8,668.26	–	1,244.43	43,005.22
Expenses for the period	2,327.36	4,184.52	2,154.57	371.29	42.36	8,995.38
Total profits	1,401.03	2,472.07	932.33	34.01	340.37	4,499.07
Total assets	31,723.86	47,026.70	25,722.63	21,014.71	19,099.77	106,388.13
Total liabilities	22,535.07	23,473.41	15,641.57	7,825.34	2,125.83	67,349.56
Supplementary information						
Depreciation and amortization expenses	442.83	2,534.11	1,060.46	1.38	72.81	3,965.97
Capital expenditures	588.20	1,745.42	2,816.20	2.23	–0.42	5,152.47
Non-cash expenses excluding depreciation and amortization	–	–	–	–	–	–

6. NON-OPERATING INCOME

Item	2017	2016 (Restated)	Amount included in non-recurring profit or loss of the current year
Gains from debt restructuring	**6,675,398.80**	3,794,551.95	6,675,398.80
Government grants	**163,055,460.19**	618,793,885.75	163,055,460.19
Liquidated damages	**9,053,998.13**	16,310,647.21	9,053,998.13
Performance compensation	**146,397,790.86**	–	146,397,790.86
Other gains	**60,804,148.31**	66,540,340.95	60,804,148.31
Total	**385,986,796.29**	705,439,425.86	385,986,796.29

7. INCOME TAX EXPENSES

(1) Income tax expenses

Item	2017	2016 (Restated)
Current income tax expense	**1,122,791,424.83**	683,245,406.63
Deferred income tax expense	**–108,820,644.42**	–130,890,455.61
Total	**1,013,970,780.41**	552,354,951.02

(2) **Adjustment process of accounting profits and income tax expenses**

Item	2017
Total consolidated profit of current year	**4,499,069,614.60**
Income tax expense calculated in accordance with statutory/applicable tax rate	**1,124,767,403.65**
Effect of different tax rates applicable to subsidiaries	**–305,281,043.98**
Effect of income tax during the period before adjustment	**18,156,062.18**
Effect of non-taxable income	**–169,246,012.90**
Effect of cost, expense and loss non-deductible	**53,197,185.00**
Effect of deductible loss of the deferred income tax assets unrecognized in the previous period	**–152,447,713.99**
Effect of deductible temporary difference or deductible loss of unrecognized deferred income assets in the current year	**444,824,900.45**
Income tax expenses	**1,013,970,780.41**

8. DIVIDENDS

Item	Amount per share (tax inclusive)	Total amount (tax inclusive)
Dividends paid during the current year	0.03	107,143,920.00
Dividends declared to pay but unpaid yet during the current year	–	–
Dividends proposed during the current year	–	–
Total	0.03	107,143,920.00

9. RETURN ON NET ASSETS AND EARNINGS PER SHARE

Based on the provisions in Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) issued by China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share, and diluted earnings per share for the Group for 2017 are listed below:

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share (EPS) Basic EPS	Diluted EPS
Net profit attributable to shareholders of the parent company	9.89	0.49	0.49
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	8.26	0.41	0.41

10. ACCOUNTS RECEIVABLE

(1) Accounts receivable listed by age

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

	As at 31/12/2017	As at 31/12/2016 (Restated)
Within 1 year	**6,593,282,263.66**	6,187,797,598.24
1-2 years	**1,145,537,499.94**	1,779,607,064.31
2-3 years	**860,052,535.91**	763,149,753.46
3-4 years	**412,200,463.82**	496,946,234.90
4-5 years	**287,101,757.79**	965,041,840.25
Over 5 years	**1,214,796,076.23**	524,994,113.20
Total original value	**10,512,970,597.35**	10,717,536,604.36
Less: provision for bad debt of accounts receivable	**2,363,781,652.90**	2,457,607,303.48
Total accounts receivable	**8,149,188,944.45**	8,259,929,300.88

(2) Classification of accounts receivable

	As at 31/12/2017				
	Book balance		Bad debt provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Receivables that are individually significant provided for bad debts on individual basis	753,223,141.73	7.16	661,771,819.26	87.86	91,451,322.47
Account age portfolio	9,378,131,809.81	89.21	1,541,315,263.28	16.44	7,836,816,546.53
Receivables that are individually insignificant provided for bad debts on individual basis	381,615,645.81	3.63	160,694,570.36	42.11	220,921,075.45
Total	10,512,970,597.35	100.00	2,363,781,652.90	–	8,149,188,944.45

Category	As at 31/12/2016 (Restated)				
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Receivables that are individually significant provided for bad debts on individual basis	857,602,686.12	8.00	729,983,223.29	85.12	127,619,462.83
Account age portfolio	9,782,614,135.58	91.28	1,652,697,316.35	16.89	8,129,916,819.23
Receivables that are individually insignificant provided for bad debts on individual basis	77,319,782.66	0.72	74,926,763.84	96.91	2,393,018.82
Total	10,717,536,604.36	100.00	2,457,607,303.48	–	8,259,929,300.88

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

Name	**As at 31/12/2017**			
	Accounts receivable	**Bad debt provision**	**Provision proportion (%)**	**Reason for provision**
Shanghai Baotou Material Co., Ltd.	**48,230,589.73**	**48,230,589.73**	**100.00**	
Shanghai Beilaide Trading Co., Ltd.	**94,924,075.12**	**94,924,075.12**	**100.00**	
Shanghai Kaixian Industrial Co., Ltd.	**73,298,827.66**	**73,298,827.66**	**100.00**	
Shanghai Hongyu Metallic Material Co., Ltd.	**69,685,185.27**	**69,685,185.27**	**100.00**	
Shanghai Huaji Steel Materials Co., Ltd.	**41,052,357.19**	**41,052,357.19**	**100.00**	
Shanghai Zhongqi Trading Co., Ltd.	**39,427,876.95**	**39,427,876.95**	**100.00**	
Hunan Chaoyue Trading Co., Ltd.	**32,553,474.78**	**32,553,474.78**	**100.00**	
Tianjin Shaxiang Group Co., Ltd.	**30,001,797.78**	**30,001,797.78**	**100.00**	
Shanghai Zhongmin Trading Co., Ltd.	**25,670,412.78**	**25,670,412.78**	**100.00**	Note 1
Shanghai Buchao Trading Co., Ltd.	**24,452,505.68**	**24,452,505.68**	**100.00**	
Shanghai Mengxing Economic and Trade Co., Ltd.	**23,703,624.81**	**23,703,624.81**	**100.00**	
Shanghai Dingqi Trading Co., Ltd.	**20,678,841.54**	**20,678,841.54**	**100.00**	
Shanghai Xinkuang Steel Co., Ltd.	**19,167,643.06**	**19,167,643.06**	**100.00**	
Shanghai Longna Material Trading Co., Ltd.	**17,074,614.56**	**15,443,139.25**	**90.45**	
Shanghai Baohao Metallic Material Co., Ltd.	**15,205,982.62**	**15,205,982.62**	**100.00**	
Changjiang International Steel Logistics (Suzhou) Co., Ltd.	**13,355,353.74**	**13,355,353.74**	**100.00**	
Shanghai Duanfang Trading Co., Ltd.	**11,282,114.22**	**11,282,114.22**	**100.00**	
Sinoma Yangzhou Machinery Manufacture Co., Ltd.	**11,930,851.15**	**11,930,851.15**	**100.00**	Note 2
Yunwei Baoshan Organic Chemical Industry Co., Ltd.	**111,028,644.70**	**21,208,797.54**	**19.10**	Per the recoverable amount
Shanyin Xuan'ang Building Materials Co., Ltd.	**12,687,635.00**	**12,687,635.00**	**100.00**	Counterparty's insolvency
Chongqing Tenghui Fuling Cement Co., Ltd.	**17,810,733.39**	**17,810,733.39**	**100.00**	Counterparty's insolvency
Total	**753,223,141.73**	**661,771,819.26**		

Note 1: Steel trading business originally engaged before 2013 by Sinoma Equipment & Engineering Corp., Ltd. (hereinafter referred to as "Sinoma E&E"), a third-level company of the Group resulted in these receivables.

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

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

	As at 31/12/2017		
Account Age	**Accounts receivable**	**Bad debt provision**	**Provision proportion (%)**
Within 1 year	**6,390,244,911.65**	**269,973,706.62**	**4.22**
1-2 years	**1,105,127,474.45**	**120,938,099.95**	**10.94**
2-3 years	**805,510,943.17**	**180,904,933.93**	**22.46**
3-4 years	**363,033,882.32**	**255,579,418.36**	**70.40**
4-5 years	**188,187,194.90**	**187,891,701.10**	**99.84**
Over 5 years	**526,027,403.32**	**526,027,403.32**	**100.00**
Total	**9,378,131,809.81**	**1,541,315,263.28**	

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

The amount of provision for bad debts for the current year was RMB74,480,815.62 and the recovered or revised bad debts provision was RMB67,321,841.85.

(5) Accounts receivable actually written off in this year was RMB25,209,672.73.

(6) Top five of accounts receivable

Name	**As at 31/12/2017**	**Aging**	**Proportion of total accounts receivable as at 31/12/2017 (%)**	**Bad debt provision as at 31/12/2017**
Xinjiang Goldwind Science & Technology Co., Ltd.	**569,324,846.91**	Within 1 year	5.42	11,386,496.94
Beijing Goldwind Science & Creation Windpower Equipment Co., Ltd.	**188,125,563.43**	Within 1 year	1.79	3,762,511.27
Jiangyin Yuanjing Investment Co., Ltd.	**175,175,204.71**	Within 1 year	1.67	3,243,048.97
Shandong Jinmei Mingshengda Chemical Co., Ltd.	**150,672,885.50**	Within 1 year	1.43	7,533,644.28
National Grids	**112,948,530.54**	Within 1 year	1.07	5,647,426.53
Total	**1,196,247,031.09**		11.38	31,573,127.99

11. ACCOUNTS PAYABLE

(1) Accounts payable listed as per accounts payable age

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

Item	As at 31/12/2017	As at 31/12/2016 (Restated)
Within 1 year	**9,512,178,002.36**	9,024,486,899.30
1-2 years	**1,652,128,562.99**	2,106,666,048.91
2-3 years	**597,357,713.31**	930,368,139.26
Over 3 years	**1,153,936,791.89**	722,893,094.78
Total	**12,915,601,070.55**	12,784,414,182.25

(2) Significant accounts payable aged over 1 year

Name	As at 31/12/2017	Reasons for not repaying or carrying forward
Nanchong East International Labor Service Co., Ltd.	**151,007,143.52**	Undue settlement
Gezhouba International (Hong Kong) Company	**92,937,391.02**	Undue settlement
Anhui Haijin Cement Technology Development Co., Ltd.	**43,347,490.28**	Undue settlement
Fuxing Construction Investment Co., Ltd.	**36,024,588.10**	Undue settlement
Henan Installation Group Co., Ltd.	**31,683,037.35**	Undue settlement
Total	**354,999,650.27**	–

12. SHARE CAPITAL

Item	As at 31/12/2016 (Restated)	Increase (+)/decrease (-) in current year					As at 31/12/2017
		Issue of new shares	Bonus issue	Shares converted from reserve	Others	Subtotal	
Total shares	3,571,464,000	–	–	–	–	–	3,571,464,000

13. EVENTS AFTER THE BALANCE SHEET DATE

(1) In May 2014, Xinjiang Goldwind Science & Technology Co., Ltd. (hereinafter referred to as Goldwind Science & Technology) signed the UEPII project contract with UEP PENONOME II,S.A (hereinafter referred to as the "Owner"), and provided 86 units of 2.5 MW wind turbines for the project, Goldwind Science & Technology purchases wind power blade products from Sinoma Wind Power Blade Co., Ltd. (hereinafter referred to as "Sinoma Blade"), a third-level company of the Group.

On 23 May 2014, Goldwind Science & Technology and Sinoma Blade (hereinafter referred to as "parties") signed the Contract (contract No.: 2500PMZCKJ140523); the procurement content was 88 units of 2.5 MW wind power blades (including 2 sets of spare parts); the total contract price was RMB 146.08 million.

On 6 February 2018, Sinoma Blade received a letter from Goldwind Science & Technology. The main contents are as follows: after the project delivery is completed, UEPII project owner may submit arbitration to the American Arbitration Association on the grounds that the wind power blades have quality problems, which will bring security risks to the safe operation of the project. The American Arbitration Association issued an arbitration result to Goldwind Science & Technology and the owner on 14 January 2018, and required Goldwind Science & Technology to compensate the owner for losses of USD66,612,015 and the owner's attorney's fees being accounted for.

Goldwind Science & Technology believed that the above compensation was caused by Sinoma Blade's product quality problems and filed a claim to Sinoma Blade; the claim amount was USD66,612,015, as well as the owner's attorney's fees being accounted for, expert fees, arbitration fees and other possible costs to be borne by Goldwind Science & Technology.

Sinoma Blade believed that Goldwind Science & Technology filed a claim to Sinoma Blade on the basis of its arbitration result with the owner; the rights, obligations and responsibilities between Goldwind Science & Technology and Sinoma Blade should be based on the terms of the Contract signed by the parties. In case of a dispute or controversy, it should also be resolved in the manner agreed in the Contract.

The management of Sinoma Blade hired JINCHENG TONGDA & NEAL to review the relevant contracts, and to issue a legal opinion on the possible liability of Sinoma Blade to pay compensation for blade quality problems mentioned in the Letter submitted by Goldwind Science & Technology to Sinoma Blade. According to the relevant stipulations in the contracts concerning acceptance/inspection, quality assurance, liability for breach of contract, etc., the attorney judged that the maximum liquidated damages payable by Sinoma Blade was RMB 73.04 million. At the same time, in determining the amount of damages, it should be considered that Sinoma Blade 's maintenance and replacement costs etc. that have already occurred in the execution of the contract should be determined as the costs of the nature of compensation under Article 8 in the contract and deducted from the amount of damages for the future.

According to the attorney's legal opinion and Accounting Standard for Business Enterprises No.13-Contingencies, Sinoma Blade, based on the principle of prudence, estimated the amount of the maximum liquidated damages after deducting the repair and warranty costs that had already occurred.

(2) There are no other significant events after balance sheet date for the Group to disclose, except for the contents disclosed above.

14. OTHER SIGNIFICANT MATTERS

(1) Correction and effect of prior period errors

None.

(2) Annuity plan

According to the Letter on the Filing of enterprise annuity plan for 21 companies including China North Industries Group Corporation Limited, RSTH (2017) No. 318, Sinoma International and Sinoma Science & Technology, the second-level companies of the Group, and Sinoma Overseas Engineering (Beijing) Co., Ltd., Tianjin Cement Design & Research Institute Co., Ltd., Sinoma (Handan) Construction Co., Ltd., Sinoma (Suzhou) Construction Co., Ltd., Nanjing Fiberglass Research & Design Institute Co., Ltd., and Beijing Composite Materials Co., Ltd., the third-level companies of the Group, began implementing annuity plans this year.

According to the implementation rules of the Company's annuity plan (hereinafter referred to as annuity rules), the Group's annuity fund is entrusted to the Trustee (Changjiang Pension Insurance Co., Ltd) by China National Building Material Group Co., Ltd. to conduct trusteeship management and sign a corporate annuity fund trust management contract. The custodian of the Group's annuity fund is Shanghai Pudong Development Bank.

According to the annuity rules, the enterprise annuity payment shall be borne jointly by the company and the employee. The total enterprise payment each year is 5% of the annual gross payroll of the previous year. The individual employee payment is 1.25% of the individual employee payment base.

(3) Termination of operation

Item		**2017**	2016 (Restated)
1)	**Income from discontinued operations**	**513,543,695.70**	451,658,880.19
	Less: termination costs and operating expenses	**496,033,002.87**	518,137,371.67
2)	**Total profit from discontinued operations**	**17,510,692.83**	–66,478,491.48
	Less: income tax expenses from discontinued operations	**1,172,231.38**	1,484,804.61
3)	**Net profit from discontinued operations**	**16,338,461.45**	–67,963,296.09
	Including: net profit from discontinued operations attributable to the parent company	**15,799,213.33**	–67,817,988.64
	Add: net proceeds from disposal businesses (after-tax)	**45,126,609.18**	–
	Including: total profit or loss of disposal	**45,160,790.48**	–
	Less: income tax expenses (or proceeds)	**34,181.30**	–
4)	**Total net profit from discontinued operations**	**61,465,070.63**	–67,963,296.09
	Including: total net profits from discontinued operations attributable to owners of the parent company	**60,925,822.51**	–67,817,988.64
5)	**Net amount of cash flow discontinued operations**	**–9,964,465.05**	–1,608,424.73
	Including: net cash flows from operating activities	**–8,187,591.24**	–55,904,543.26
	Net cash flows from investing activities	**1,308,273.73**	57,697,761.82
	Net cash flows from financing activities	**–3,085,147.54**	–3,401,643.29

Note: The Group's discontinued operations during the year were mainly for liquidation and disposal of subsidiaries.

(4) Influence of political unrest of Middle East on project implementation

As of 31 December 2017, CBMI Construction (a third-level company of the Group) has been implemented an EPC project in Syria. The EPC contract of the project was signed on 8 August 2008, with a total contract price of EUR 47,310,000.00 and USD 239,390,000.00, so far with USD 30,270,000.00 received. The PAC certificate signed by the owner was obtained in June 2011. Costs of the project incurred to CBMI Construction have been settled. Under influence of the local situation, all of the Chinese employees have left Syria and later services have been suspended. The local security department is responsible for security of the project. Later progress of the project will be determined upon situation of Syria.

(5) Tax issue of Sinoma Cement Co., Ltd.

In December 2016, Sinoma (Hanjiang) Cement Co., Ltd. (hereinafter referred to as "Sinoma Hanjiang"), a third-level company of the Group received the HTGST [2016] No. 07 notice on tax matters from Hanzhong Municipal Office. SAT. It canceled Sinoma Hanjiang's qualification since November 2013 to benefit from VAT rebate of resource comprehensive utilization product and labor and tax-free policy. And the VAT of RMB57,747,109.53 rebated from November 2013 to August 2016 has been returned. In December 2016, Sinoma Hanjiang submitted a request for administrative reconsideration to the Hanzhong Municipal Office. SAT, requesting the withdrawal of the Notice on Tax Matters of Han (2016) No. 07, and provided tax guarantee by mortgaging machinery and equipment. On 12 April 2017, Sinoma Hanjiang obtained the Administrative Reconsideration Decision issued by the Hanzhong Municipal Office, SAT (HGSFJZ [2017] No. 1). The Decision considers that the Notice shall be revoked due to unclear facts and insufficient evidence. Based on the Decision, the Group will release the estimated liabilities of RMB57,747,109.53, which was determined in 2016, and increase the Group's total profit in 2017 by RMB57,747,109.53.

(6) Recognition of the representative office in Indonesia

In June 2016, Indonesia Jakarta Tax Authority issued a notice on recognizing the representative office of Tianjin Cement Design & Research Institute (a third-level company of the Group) in Indonesia (hereinafter referred to as "representative office in Indonesia") into permanent establishment. According to the Indonesian tax law, a permanent establishment. body shall pay withholding tax in terms of the goods it exports to Indonesia, which shall account 4% of the export revenue. The Tianjin Design Institute has signed USD 170 million EP contract with local PT.SEMEN BATURAJA. If it is considered as permanent establishment. 4% of the contract amount is involved in withholding tax. According to the bilateral tax agreement between Indonesia and China, the Group reasonably believes that the representative office in Indonesia does not meet the conditions for a permanent establishment. in Indonesia. Until the date of approval of the financial statements, the representative office in Indonesia has been undergoing the investigation by local Indonesian tax authority and the Group has not received any notice to pay tax.

(7) Reorganization between China National Materials Group Corporation Ltd. and China National Building Material Group Co., Ltd.

On 8 March 2017, the Company was informed by China National Building Materials Group Co., Ltd. ("CNBM Group") that Sinoma Group has been transferred to CNBM Group at nil consideration. On 8 September 2017, China National Building Material Company Limited ("CNBM") entered into a merger agreement with the Company. CNBM will issue shares to shareholders of the Company through way of merger by absorption. The H Shares will be delisted from the Stock Exchange and the Company will be deregistered. For details, please refer to the announcement and circular of the Company on the websites of the Stock Exchange and the Company dated 8 September 2017 and 20 October 2017. As at the date of this announcement, all the effective conditions and implementation conditions of the Merger Agreement have been fulfilled but not yet implemented.

(8) Debt-for-equity swap matters relating to the relocation compensation for Cangfanggou Premise of Tianshan Cement

According to the Notice on Implementation Scheme of Removal of Polluting Enterprises (Including Chemical Enterprises) from Central Urban Area of Urumqi Municipality (WZB [2011] No. 104) issued by the General Office of the People's Government of Urumqi Municipality, Tianshan Manufacture, a subsidiary of Tianshan Cement (a second-level company of the Group) has relocated Cangfanggou Premise (production area of No. 1 and No. 2 Factories of Tianshan Cement) in No. 242, Shuinichang Street, Cangfanggou Road, Urumqi in whole. Pursuant to documents such as the Notice on Implementation Rules of Removal of Polluting Enterprises from Central Urban Area of Urumqi Municipality (WZB [2012] No. 233), Tianshan Cement signed the Relocation Compensation Agreement of Cangfanggou Premise with Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. which has obtained the development right of the land through government bid, auction and listing. Total amount of compensation of the relocation is RMB 1,132,040,600.00, including RMB 278,767,600.00 of land compensation, RMB 609,539,700.00 of compensation of above-ground buildings and equipment and RMB 243,733,300.00 of compensation for personnel resettlement.

The relocation and development principles, i.e. "compliance with planning, overall removal, step-by-step demolition and delivery, and phased compensation", determined in the document of the people's government of the autonomous region (XZH [2013] No. 214) shall be followed. Supplementary development of municipal roads and traffic infrastructure of Cangfanggou Premise shall be provided. Tianshan Cement performed relocation and delivered the assets step by step. Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. followed the relocation principles above and gradually received assets in the relocation range. In accordance with the relocation plan and principles above, the assets in the relocation range should be delivered in six years (i.e. 2014-2019). As at the end of 2016, Xinjiang Tianshan Cement Co., Ltd. has received a total of RMB 553,806,911.28 in relocation compensation for the first three phases, including land compensation of RMB 278,767,600.00, compensation for relocation assets of RMB 213,445,611.28, and compensation for personnel placement of RMB 61,593,700.00.

On 4 December 2017, Tianshan Cement Co., Ltd., a second-level company of the Group, received the Letter of Intent from Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. and Xinjiang Tianshan Building Materials (Group) Co., Ltd. The Company was invited to transfer the relocation compensation funds for the Phase IV, V and VI of the above Cangfanggou Premise of Tianshan Real Estate into the equity of Tianshan Real Estate and strategically take shares in Tianshan Real Estate, as well as to collaborate together to develop the real estate market in the autonomous region. 31 December 2017 is intended to be the base date for the transfer of creditor's rights into equity, and the shares will be transferred based on the assessed value of the creditor's rights confirmed by the assessment report. The valuation of the share transfer is based on the audited and evaluated net assets per share of Tianshan Real Estate. The transaction was reported to the 33rd meeting of the 6th Board of Directors of Tianshan Cement (a second-level company of the Group) on 13 December 2017 for review and was passed. On 29 December 2017, the Company reported it to the 3rd Extraordinary General Meeting of Shareholders in 2017. At the meeting, it was agreed that the board of directors was authorized to be entirely responsible for all matters such as the evaluation and the signing of the share transfer agreement and the related procedures for the implementation of the share transfer according to relevant laws, regulations and regulatory documents and the Articles of Association and based on the principle of maintaining maximum interests of the Company's shareholders. For details, please refer to Announcement of Xinjiang Tianshan Cement Co., Ltd. on Foreign Investment (2017-070).

As of the approved reporting date of the financial statements, the relevant assessment on this matter is still in progress. The assessment results have not yet been formally issued.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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)).

Tianshan Cement

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

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

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

Sinoma Cement

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

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

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

Ningxia Building Materials

Upholding the operating concept of "Innovation, Performance, Harmony and Responsibility", Ningxia Building Materials Group Co., Limited ("**Ningxia Building Material**s") seized the policy opportunities brought by supply-side structural reform of the country and peak shifting production of the industry to steadily promote marketing, cost reduction and efficiency enhancement, safety and environmental protection, intelligent manufacturing and other works by focusing on "price, fee, quantity, cost, profit". Ningxia Building Materials vigorously promoted effective integration of market resources for improvement of relationship between supply and demand in the market, so as to reduce disorderly competition, consolidate the core market and key engineering market, and open up civil market.

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

Ningxia Building Materials proactively developed the extended industry chain of aggregate business to cultivate new growth points. As of the end of 2017, the production capacity of cement of Ningxia Building Materials reached 21 million tonnes.

Qilianshan

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

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

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

High-tech materials segment

Sinoma Science & Technology

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

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

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

Sinoma Advanced

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

Project segment

Sinoma International

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

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

Speeding up transformation and upgrading: relying on the advantages of the main business, Sinoma International increased its development efforts in limited related diversified new industries. The operating results of customer service, diversified engineering and energy-saving and environmental protection continued to increase. In 2017, the amount of new business contracts accounted for 31% of the total business volume. The transformation and upgrading started to take effect and the industrial structure was continuously optimized, laying a solid foundation for the comprehensive implementation of "13th Five-year Plan" strategy of the company.

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

Sinoma Mining

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

COMPLIANCE WITH LAWS AND REGULATIONS

The business of the Company shall comply with the requirements of various laws and regulations, including the Company Law of the PRC, the Securities Law of the PRC, the Contract Law of the PRC, the Property Rights Law of the PRC and other applicable regulations, policies and regulatory legal documents as published in accordance with or relating to such laws and regulations. The requirements of other relevant laws and regulations are also applicable to the Group, for example, the Labour Law of the PRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance (Chapter 622). During the Reporting Period, to the knowledge of the directors of the Company, there was no non-compliance with any of the above laws and regulations which would have a material impact on the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

FINANCIAL REVIEW

	Year ended 31 December 2017 *RMB million*	Year ended 31 December 2016 *RMB million* (Restated)	Change *RMB million*	%
Total operating revenue	**56,989.89**	50,580.14	6,409.75	12.67
Operating cost	**(43,005.22)**	(40,317.78)	(2,687.44)	6.67
Gross profit	**13,984.67**	10,262.36	3,722.31	36.27
Taxes and surcharges	**(601.34)**	(478.63)	(122.71)	25.64
Selling expenses	**(2,203.00)**	(2,117.91)	(85.09)	4.02
Administrative expenses	**(5,101.90)**	(4,398.14)	(703.76)	16.00
Financial expenses	**(1,690.48)**	(1,384.71)	(305.77)	22.08
Asset impairment losses	**(890.26)**	(996.97)	106.71	(10.70)
Income from changes in fair value	**3.31**	3.85	(0.54)	(14.03)
Investment income	**148.13**	133.74	14.39	10.76
Income from disposal of assets	**124.91**	97.69	27.22	27.86
Other income	**567.05**	–	–	–
Operating profit	**4,341.09**	1,121.28	3,219.81	287.15
Non-operating income	**385.99**	705.44	(319.45)	(45.28)
Non-operating expenses	**228.01**	117.38	(110.63)	94.25
Total profit	**4,499.07**	1,709.34	2,789.73	163.21
Income tax expenses	**(1,013.97)**	(552.35)	(461.62)	83.57
Net profit	**3,485.10**	1,156.99	2,328.11	201.22
(I) Classified on a going concern basis	**3,485.10**	1,156.99	2,328.11	201.22
1. Net profit from continuing operations (net loss to belisted with "-")	**3,423.63**	1,224.95	2,198.68	179.49
2. Net profit from discontinued operations (net loss to be listed with "-")	**61.47**	(67.96)	129.43	–
(II) Classified according to the ownership	**3,485.10**	1,156.99	2,328.11	201.22
Net profit attributable to shareholders of the Company	**1,752.15**	585.58	1,166.57	199.22
Minority interests	**1,732,95**	571,41	1,161.54	203.28

Results Performance

During the Reporting Period, total profit of the Group was RMB4,499.07 million, representing a year-on-year increase of 163.21%. Net profit attributable to shareholders of the Company was RMB1,752.15 million, representing a year-on-year increase of 199.22%. Earnings per share of the Company were RMB0.49.

Consolidated Operating Results

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

Total operating revenue

Total operating revenue of the Group for 2017 was RMB56,989.89 million, representing an increase of 12.67% as compared with RMB50,580.14 million for 2016. In particular, total operating revenue of the cement equipment and engineering services segment increased by RMB794.16 million; total operating revenue of the cement segment increased by RMB4,806.49 million; total operating revenue of the high-tech materials segment increased by RMB1,425.03 million.

Operating cost

Operating cost of the Group for 2017 was RMB43,005.22 million, representing an increase of 6.67% as compared with RMB40,317.78 million for 2016. In particular, operating cost of the cement equipment and engineering services segment decreased by RMB188.30 million; operating cost of the cement segment increased by RMB2,547.76 million; operating cost of the high-tech materials segment increased by RMB892.10 million.

Gross profit and gross margin

Gross profit of the Group for 2017 was RMB13,984.67 million, representing an increase of 36.27% as compared with RMB10,262.36 million for 2016. In particular, gross profit of the cement equipment and engineering services segment increased by RMB982.46 million; gross profit of the cement segment increased by RMB2,258.73 million; gross profit of the high-tech materials segment increased by RMB532.93 million. Gross margin of the Group for 2017 was 24.54%, representing an increase of 4.25 percentage points from 20.29% for 2016.

Taxes and surcharges

Taxes and surcharges of the Group for 2017 were RMB601.34 million, representing an increase of 25.64% as compared with RMB478.63 million for 2016, mainly due to the increase in land use tax and the transfer of certain taxes of the administrative expenses to taxes and surcharges since May 2016. In particular, taxes and surcharges of the cement equipment and engineering services segment increased by RMB6.30 million; taxes and surcharges of the cement segment increased by RMB87.29 million; taxes and surcharges of the high-tech materials segment increased by RMB28.88 million.

Selling expenses

Selling expenses of the Group for 2017 were RMB2,203.00 million, representing an increase of 4.02% as compared with RMB2,117.91 million for 2016, mainly due to the increase in selling expenses of the high-tech materials segment. In particular, selling expenses of the cement equipment and engineering services segment increased by RMB24.63 million; selling expenses of the cement segment increased by RMB17.93 million; selling expenses of the high-tech materials segment increased by RMB42.52 million.

Administrative expenses

Administrative expenses of the Group for 2017 were RMB5,101.90 million, representing an increase of 16.00% as compared with RMB4,398.14 million for 2016, mainly due to the increase in administrative expenses of the cement segment. In particular, administrative expenses of the cement equipment and engineering services segment increased by RMB201.30 million; administrative expenses of the cement segment increased by RMB391.25 million; administrative expenses of the high-tech materials segment increased by RMB77.78 million.

Financial expenses

Financial expenses of the Group for 2017 were RMB1,690.48 million, representing an increase of 22.08% as compared with RMB1,384.71 million for 2016, mainly due to the increase in financial expenses of the cement equipment and engineering services segment. In particular, financial expenses of the cement equipment and engineering services segment increased by RMB413.59 million; financial expenses of the cement segment decreased by RMB171.10 million; financial expenses of the high-tech materials segment increased by RMB80.92 million.

Asset impairment losses

Asset impairment losses of the Group for 2017 were RMB890.26 million, representing a decrease of 10.70% as compared with RMB996.97 million for 2016, mainly due to the decrease in asset impairment losses of the high-tech materials segment. In particular, asset impairment losses of the cement equipment and engineering services segment decreased by RMB55.87 million; asset impairment losses of the cement segment increased by RMB154.99 million; asset impairment losses of the high-tech materials segment decreased by RMB205.84 million.

Income from changes in fair value

Income from changes in fair value of the Group for 2017 was RMB3.31 million, representing a decrease of 14.03% as compared with income from changes in fair value of RMB3.85 million for 2016, all of which generated from the cement equipment and engineering services segment.

Investment income

Investment income of the Group for 2017 was RMB148.13 million, representing an increase of 10.76% as compared with RMB133.74 million for 2016. In particular, investment income of the cement equipment and engineering services segment increased by RMB65.39 million; investment income of the cement segment decreased by RMB75.04 million; investment income of the high-tech materials segment increased by RMB25.18 million.

Income from disposal of assets

Income from disposal of assets of the Group for 2017 was RMB124.91 million, representing an increase of 27.86% as compared with RMB97.69 million for 2016, mainly due to the increase in income from disposal of assets of the cement segment. In particular, income from disposal of assets of the cement equipment and engineering services segment decreased by RMB6.20 million; income from disposal of assets of the cement segment increased by RMB18.70 million; income from disposal of assets of the high-tech materials segment increased by RMB14.39 million.

Other income

Other income of the Group for 2017 was RMB567.05 million. In particular, other income of the cement equipment and engineering services segment was RMB11.87 million; other income of the cement segment was RMB381.58 million; other income of the high-tech materials segment was RMB173.60 million.

Operating profit and operating profit margin

Operating profit of the Group for 2017 was RMB4,341.09 million, representing an increase of 287.15% as compared with RMB1,121.28 million for 2016. Operating profit margin of the Group for 2017 was 7.62%, representing an increase of 5.40 percentage points as compared with 2.22% for 2016.

Non-operating income

Non-operating income of the Group for 2017 was RMB385.99 million, representing a decrease of 45.28% as compared with RMB705.44 million for 2016, mainly due to the inclusion of government grants relating to the daily operation in other income since May 2017.

Non-operating expenses

Non-operating expenses of the Group for 2017 were RMB228.01 million, representing an increase of 94.25% as compared with RMB117.38 million for 2016, mainly due to the increase in liquidated damages for the year.

Total profit

Total profit of the Group for 2017 was RMB4,499.07 million, representing an increase of 163.21% as compared with RMB1,709.34 million for 2016.

Income tax expenses

Income tax expenses of the Group for 2017 were RMB1,013.97 million, representing an increase of 83.57% as continuing with RMB552.35 million for 2016, mainly due to the year-on-year increase in profit of most of the subsidiaries.

Net profit

Net profit of the Group for 2017 was RMB3,485.10 million, representing an increase of 201.22% as compared with RMB1,156.99 million for 2016. In particular, as classified on a going concern basis, net profit from continuing operations was RMB3,423.63 million, representing an increase of 179.49% as compared with RMB1,224.95 million for 2016; net profit from discontinued operations was RMB61.47 million, representing an increase of RMB 129.43 million as compared with loss of RMB67.96 million for 2016.

Net profit attributable to shareholders of the Company

Net profit attributable to shareholders of the Company for 2017 was RMB1,752.15 million, representing an increase of 199.22% as compared with RMB585.58 million for 2016.

Minority interests

Minority interests of the Group for 2017 were RMB1,732.95 million, representing an increase of 203.28% as compared with RMB571.41 million for 2016.

Segment Results

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

Cement Equipment and Engineering Services

	2017	2016	Change
	RMB million	*RMB million*	%
		(Restated)	
Total operating revenue	**21,847.57**	21,053.41	3.77
Operating cost	**(18,165.89)**	(18,354.19)	(1.03)
Gross profit	**3,681.68**	2,699.22	36.40
Taxes and surcharges	**(106.81)**	(100.51)	6.27
Selling expenses	**(312.42)**	(287.79)	8.56
Administrative expenses	**(1,717.80)**	(1,516.50)	13.27
Financial (expenses) income	**(297.14)**	116.45	–
Asset impairment losses	**(144.05)**	(199.92)	(27.95)
Income from changes in fair value	**3.31**	3.85	(14.03)
Investment income (loss)	**47.50**	(17.89)	–
Income from disposal of assets	**42.62**	48.82	(12.70)
Other income	**11.87**	–	–
Operating profit	**1,208.76**	745.73	62.09

Total operating revenue

Total operating revenue of cement equipment and engineering services segment for 2017 was RMB21,847.57 million, representing an increase of 3.77% as compared with RMB21,053.41 million for 2016.

Operating cost

Operating cost of cement equipment and engineering services segment for 2017 was RMB18,165.89 million, representing a decrease of 1.03% as compared with RMB18,354.19 million for 2016.

Gross profit and gross margin

Gross profit of cement equipment and engineering services segment for 2017 was RMB3,681.68 million, representing an increase of 36.40% as compared with RMB2,699.22 million for 2016. Gross margin of cement equipment and engineering services segment for 2017 was 16.85%, representing an increase of 4.03 percentage points from 12.82% for 2016, mainly due to several projects with higher gross margin were about to complete during the year, while the major projects under construction entered the critical construction stage.

Taxes and surcharges

Taxes and surcharges of cement equipment and engineering services segment for 2017 were RMB106.81 million, representing an increase of 6.27% as compared with RMB100.51 million for 2016.

Selling expenses

Selling expenses of cement equipment and engineering services segment for 2017 were RMB312.42 million, representing an increase of 8.56% as compared with RMB287.79 million for 2016, mainly due to the year-on-year increase in labor costs and transportation expenses.

Administrative expenses

Administrative expenses of cement equipment and engineering services segment for 2017 were RMB1,717.80 million, representing an increase of 13.27% as compared with RMB1,516.50 million for 2016, mainly due to the increase in research and development expenses and labor costs.

Financial (expenses) income

Financial expenses of cement equipment and engineering services segment for 2017 were RMB297.14 million, representing an increase of RMB413.59 million as compared with financial income of RMB116.45 million for 2016, mainly due to the increase in exchange loss as a result of changes in exchange rates.

Asset impairment losses

Asset impairment losses of cement equipment and engineering services segment for 2017 were RMB144.05 million, representing a decrease of 27.95% as compared with RMB199.92 million for 2016, mainly due to the collection of part of the accounts receivable which made provision for bad debts in previous years during the year.

Income from changes in fair value

Income from changes in fair value of cement equipment and engineering services segment for 2017 was RMB3.31 million, representing a decrease of 14.03% as compared with RMB3.85 million for 2016.

Investment income (loss)

Investment income of cement equipment and engineering services segment for 2017 was RMB47.50 million, representing an increase of RMB65.39 million as compared with investment loss of RMB17.89 million for 2016.

Income from disposal of assets

Income from disposal of assets of cement equipment and engineering services segment for 2017 was RMB42.62 million, representing a decrease of 12.70% as compared with investment loss of RMB48.82 million for 2016.

Other income

Other income of cement equipment and engineering services segment for 2017 was RMB11.87 million.

Operating profit

Based on the above, operating profit of cement equipment and engineering services segment for 2017 was RMB1,208.76 million, representing an increase of 62.09% as compared with RMB745.73 million for 2016.

Cement

	2017	2016	Change
	RMB million	*RMB million* (Restated)	%
Total operating revenue	**24,540.57**	19,734.08	24.36
Operating cost	**(17,415.50)**	(14,867.74)	17.14
Gross profit	**7,125.07**	4,866.34	46.42
Taxes and surcharges	**(322.50)**	(235.21)	37.11
Selling expenses	**(1,325.37)**	(1,307.44)	1.37
Administrative expenses	**(2,119.19)**	(1,727.94)	22.64
Financial expenses	**(739.96)**	(911.06)	(18.78)
Asset impairment losses	**(622.42)**	(467.43)	33.16
Investment income	**52.05**	127.09	(59.04)
Income from disposal of assets	**80.16**	61.46	30.43
Other income	**381.58**	–	–
Operating profit	**2,509.42**	405.81	518.37

Total operating revenue

Total operating revenue of cement segment for 2017 was RMB24,540.57 million, representing an increase of 24.36% as compared with RMB19,734.08 million for 2016, mainly due to the year-on-year increase in product price and sales volume of cement.

Operating cost

Operating cost of cement segment for 2017 was RMB17,415.50 million, representing an increase of 17.14% as compared with RMB14,867.74 million for 2016, mainly due to the year-on-year increase in unit product cost and sales volume of cement.

Gross profit and gross margin

Gross profit of cement segment for 2017 was RMB7,125.07 million, representing an increase of 46.42% as compared with RMB4,866.34 million for 2016. Gross margin of the cement segment for 2017 was 29.03%, representing an increase of 4.37 percentage points from 24.66% for 2016, mainly due to the increase in selling price.

Taxes and surcharges

Taxes and surcharges of cement segment for 2017 were RMB322.50 million, representing an increase of 37.11% as compared with RMB235.21 million for 2016.

Selling expenses

Selling expenses of cement segment for 2017 were RMB1,325.37 million, representing an increase of 1.37% as compared with RMB1,307.44 million for 2016, mainly due to the increase in sales volume and the change in settlement of transportation expenses for sales of certain cement.

Administrative expenses

Administrative expenses of cement segment for 2017 were RMB2,119.19 million, representing an increase of 22.64% as compared with RMB1,727.94 million for 2016, mainly due to the year-on-year increase in labor expenses and overhaul expenses.

Financial expenses

Financial expenses of cement segment for 2017 were RMB739.96 million, representing a decrease of 18.78% as compared with RMB911.06 million for 2016, mainly due to the decrease in the scale of interest-bearing liabilities.

Asset impairment losses

Asset impairment losses of cement segment for 2017 were RMB622.42 million, representing an increase of 33.16% as compared with RMB467.43 million for 2016, mainly due to the year-on-year increase in impairment of fixed assets as a result of the shutting down of production lines with outdated capacities.

Investment income

Investment income of cement segment for 2017 was RMB52.05 million, representing a decrease of 59.04% as compared with RMB127.09 million for 2016, mainly due to the disposal of available-for-sale financial assets last year.

Income from disposal of assets

Income from disposal of assets of cement segment for 2017 was RMB80.16 million, representing an increase of 30.43% as compared with income from disposal of assets of RMB61.46 million for 2016.

Other income

Other income of cement segment for 2017 was RMB381.58 million.

Operating profit

Based on the above, operating profit of cement segment for 2017 was RMB2,509.42 million, representing an increase of 518.37% as compared with operating profit of RMB405.81 million for 2016.

High-tech Materials

	2017	2016	Change
	RMB million	*RMB million*	%
		(Restated)	
Total operating revenue	**11,841.52**	10,416.49	13.68
Operating cost	**(8,668.26)**	(7,776.16)	11.47
Gross profit	**3,173.26**	2,640.33	20.18
Taxes and surcharges	**(169.71)**	(140.83)	20.51
Selling expenses	**(565.20)**	(522.68)	8.13
Administrative expenses	**(1,171.77)**	(1,093.99)	7.11
Financial expenses	**(417.59)**	(336.67)	24.04
Asset impairment losses	**(123.78)**	(329.62)	(62.45)
Investment income	**28.35**	3.17	794.32
Income (loss) from disposal of assets	**2.12**	(12.27)	–
Other income	**173.60**	–	–
Operating profit	**929.28**	207.44	347.98

Total operating revenue

Total operating revenue of high-tech materials segment for 2017 was RMB11,841.52 million, representing an increase of 13.68% as compared with RMB10,416.49 million for 2016, mainly due to the increase in sales volume of glass fiber and other products.

Operating cost

Operating cost of high-tech materials segment for 2017 was RMB8,668.26 million, representing an increase of11.47% as compared with RMB7,776.16 million for 2016, mainly due to the increase in sales volume of glass fiber and other products.

Gross profit and gross margin

Gross profit of high-tech materials segment for 2017 was RMB3,173.26 million, representing an increase of 20.18% as compared with RMB2,640.33 million for 2016. Gross margin of high-tech materials segment for 2017 was 26.80%, representing an increase of 1.45 percentage points from 25.35% for 2016, mainly due to the increase in gross margin of glass fiber and other products.

Taxes and surcharges

Taxes and surcharges of high-tech materials segment for 2017 were RMB169.71 million, representing an increase of 20.51% as compared with RMB140.83 million for 2016.

Selling expenses

Selling expenses of high-tech materials segment for 2017 were RMB565.20 million, representing an increase of 8.13% as compared with RMB522.68 million for 2016, mainly due to the increase in transportation expenses as a result of the increase in sales volume of products.

Administrative expenses

Administrative expenses of high-tech materials segment for 2017 were RMB1,171.77 million, representing an increase of 7.11% as compared with RMB1,093.99 million for 2016, mainly due to the year-on-year increase in labor costs and research and development expenses.

Financial expenses

Financial expenses of high-tech materials segment for 2017 were RMB417.59 million, representing an increase of 24.04% as compared with RMB336.67 million for 2016, mainly due to the increase in exchange loss.

Asset impairment losses

Asset impairment losses of high-tech materials segment for 2017 were RMB123.78 million, representing a decrease of 62.45% as compared with RMB329.62 million for 2016, mainly due to impairment loss of cylinder production lines during the year of 2016.

Investment income

Investment income of high-tech materials segment for 2017 was RMB28.35 million, representing an increase of 794.32% as compared with RMB3.17 million for 2016, mainly due to the investment income from disposal of subsidiaries during the year.

Income from disposal of assets

Income from disposal of assets of high-tech materials segment for 2017 was RMB2.12 million, representing an increase of RMB14.39 million as compared with loss from disposal of assets of RMB12.27 million for 2016.

Other income

Other income of high-tech materials segment for 2017 was RMB173.60 million.

Operating profit

Based on the above, operating profit of high-tech materials segment for 2017 was RMB929.28 million, representing an increase of 347.98% as compared with RMB207.44 million for 2016.

Liquidity and Capital Resources

	2017	2016
	RMB million	*RMB million*
		(Restated)
Net cash flows from operating activities	**2,988.16**	6,588.30
Net cash flows from investing activities	**(1,968.86)**	(1,892.09)
Net cash flows from financing activities	**(2,318.51)**	(2,376.67)
Cash and cash equivalents at the end of the year	**13,864.61**	15,508.35

<u>Net cash flows from operating activities</u>

Net cash flows from operating activities decreased from RMB6,588.30 million in 2016 to RMB2,988.16 million in 2017, mainly due to the effect of long-term receivables from major projects in Egypt and changes in restricted funds including various types of security deposits.

Net cash flows from investing activities

Net cash flows from investing activities decreased from RMB-1,892.09 million in 2016 to RMB-1,968.86 million in 2017.

Net cash flows from financing activities

Net cash flows from financing activities increased from RMB-2,376.67 million in 2016 to RMB-2,318.51 million in 2017, mainly due to the decrease in the scale of debt financing as a result of better profits and repayment of borrowings.

Working Capital

As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB13,864.61 million (2016: RMB15,508.35 million). Unutilised bank credit facilities amounted to RMB44,472.27 million (2016: RMB69,613.10 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2017 increased to 95.39% (2016: 85.70%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including short-term borrowings, long-term borrowings, non-current liabilities due within one year (long-term borrowings due within one year, bonds payable due within one year and certain long-term payables due within one year), other current liabilities (short-term financing bills, lease payment of sale-leaseback assets due within one year), bonds payable (corporate bonds and medium-term notes) and certain long-term payables as shown in the consolidated balance sheet) less monetary funds. As at 31 December 2017, the net debt ratio of the Group was 40.73% (2016: 43.02%).

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

Borrowings

As at 31 December 2017, the balance of the Group's borrowings amounted to RMB32,908.59 million.

	31 December 2017 *RMB million*	31 December 2016 (Restated) *RMB million*
Short-term borrowings, long-term borrowings, finance lease and lease payment of sale-leaseback assets due within one year	**16,939.34**	14,331.98
Short-term financing bills	**600.00**	6,400.00
Long-term borrowings and finance lease, net of portions due within one year	**7,090.24**	6,849.86
Corporate bonds	**4,681.55**	1,596.12
Medium-term notes	**3,597.46**	4,100.00
Total borrowings	**32,908.59**	33,277.96

Net Current Liabilities

As at 31 December 2017, the net current liabilities of the Group were approximately RMB2,261.80 million, representing a decrease of RMB5,219.84 million as compared with the net current liabilities of RMB7,481.64 million as at 31 December 2016, mainly due to the change of certain short-term debt financing to long-term debts.

Inventory Analysis

As at 31 December 2017, the inventory of the Group amounted to approximately RMB7,554.38 million, representing a decrease of RMB453.36 million as compared with RMB8,007.74 million as at 31 December 2016. The inventory turnover days decreased from 78.71 days in 2016 to 65.14 days in 2017, mainly due to the increase in operating cost.

Accounts Receivable

As at 31 December 2017, the accounts receivable of the Group amounted to approximately RMB8,149.19 million, representing a decrease of RMB110.74 million as compared with RMB8,259.93 million as at 31 December 2016. The average turnover days of accounts receivable of the Group decreased from 62.31 days in 2016 to 51.83 days in 2017, mainly due to the increase in operating income for the year.

Contract Work-in-Progress

As at 31 December 2017, the Group's contract work-in-progress was approximately RMB157.03 million, representing an increase of RMB437.92 million as compared with the contract work-in-progress of RMB-280.89 million as at 31 December 2016, mainly due to the substantial decrease in the amounts of settled and uncompleted construction contracts.

Pledge of Assets

As at 31 December 2017 and 31 December 2016, the pledge of assets of the Group was as follows:

	As at 31 December 2017 *RMB million*	As at 31 December 2016 *RMB million* (Restated)
Bills receivable	**1,068.55**	580.06
Accounts receivable	**58.97**	14.81
Long-term equity investments	**472.34**	800.03
Fixed assets	**3,781.38**	4,224.94
Intangible assets	**422.37**	369.54
Construction in progress	**52.53**	–
Total	**5,856.14**	5,989.38

MATERIAL INVESTMENTS

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

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

On 29 June 2017, Beijing Sinoma Synthetic Crystals Co., Ltd. ("**Beijing Synthetic Crystals**"), a subsidiary of the Company, entered into the Equity Transfer Agreement with China National Materials Group Corporation Ltd. ("**Sinoma Group**"). Pursuant to the Equity Transfer Agreement, Beijing Synthetic Crystals agreed to acquire and Sinoma Group agreed to sell the 100% equity interest in Sinoma Synthetic Crystals Research Institute Co., Ltd., ("**Sinoma Synthetic Crystals**")at the total consideration of RMB45,184,600. Upon completion of the Acquisition, Sinoma Synthetic Crystals will become a wholly-owned subsidiary of Beijing Synthetic Crystals. Sinoma Group is the controlling shareholder of the Company and is therefore a connected person of the Company (as defined under Rule 14A.07 of the Hong Kong Listing Rules), and the transaction contemplated under the Equity Transfer Agreement constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company published on 29 June 2017 on the website of The Stock Exchange of Hong Kong Limited.

MARKET RISKS

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

Contract Risks

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

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

Foreign Exchange Risks

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

Interest Rate Risks

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

Raw Materials and Energy Price Risks

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

OTHER IMPORTANT EVENTS

Merger of CNBM and Sinoma

On 8 September 2017, China National Building Material Company Limited ("**CNBM**") and Sinoma entered into the Merger Agreement. CNBM and Sinoma proposed to implement the Merger by way of a merger by absorption and share-exchange. Under the Merger, CNBM would issue CNBM H Shares and CNBM Unlisted Shares to the Sinoma Share-Exchange Shareholders to merge with Sinoma by absorption, the Sinoma H Shares would be delisted from the Stock Exchange and cancelled and Sinoma will be deregistered. As at the date of this announcement, all conditions to the Merger Agreement becoming effective and all conditions to the implementation of the Merger Agreement have been fulfilled while the merger is yet to be implemented.

Others

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

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

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

On 8 February 2017, the Company entered into the financial services framework agreement with Sinoma Finance (the "**Financial Services Framework Agreement**"), pursuant to which Sinoma Finance agreed to provide the deposit services, loan services and other financial services to the Group. On the same date, the Company and CNBM Group entered into (i) the property leasing framework agreement, pursuant to which, CNBM Group and its associates (excluding the Group) agreed to lease certain parcels of lands and buildings in the PRC to the Group for the Group's operations; (ii) the mutual supply of services framework agreement in relation to the mutual supply of certain services between the Group and CNBM Group and its associates (excluding the Group) (the "**Mutual Supply of Services Framework Agreement**"); (iii) the mutual supply of products framework agreement in relation to the mutual supply of certain products between the Group and CNBM Group and its associates (excluding the Group) (the "Mutual Supply of Products Framework Agreement"). For details, please refer to the announcements published on 8 February 2017 and 31 March 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 8 March 2017, the Company was notified by CNBM Group that the registration regarding the transfer of Sinoma Group into CNBM Group at nil consideration with the relevant industry and commerce authorities has been completed recently. Sinoma Group, previously a wholly state-owned company on which the State-owned Assets Supervision and Administration Commission of the State Council performs the duties as a promoter, had become a company wholly-owned by legal person with the 100% equity interest thereof held by CNBM Group, and the Company had become a listed subsidiary of CNBM Group. For details, please refer to the announcement of the Company published on 8 March 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 31 March 2017, shareholders of the Company considered and approved the following resolutions at the extraordinary general meeting: (1) the amendments to the articles of association of the Company; (2) the respective annual caps for the three years ending 31 December 2019 for the Financial Services Framework Agreement and the transactions contemplated thereunder; (3) the respective annual caps for the three years ending 31 December 2019 for the Mutual Supply of Services Framework Agreement and the transactions contemplated thereunder; and (4) the respective annual caps for the three years ending 31 December 2019 for the Mutual Supply of Products Framework Agreement and the transactions contemplated thereunder. For details, please refer to the announcement of the Company published on 31 March 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 15 May 2017, Yecheng Tianshan Cement Co., Ltd., ("**Yecheng Tianshan**") a subsidiary of the Company, and China Reform Financial Leasing Co., Ltd. ("**China Reform**")entered into the Finance Lease Arrangements, under which, Yecheng Tianshan agreed to sell certain assets to China Reform at an aggregate consideration of RMB500,000,000, and China Reform had agreed to leaseback the such assets to Yecheng Tianshan for a period of 36 months. For details, please refer to the announcement of the Company published on 15 May 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 23 June 2017, the Board passed a resolution in relation to the proposed adoption of share option incentive scheme of Sinoma International. Such scheme constituted a share option scheme under Chapter 17 of the Listing Rules. On the same date, the Board proposed to make certain amendments to the Articles of Association and the rules of procedures of the Board. For details, please refer to the announcement of the Company published on 25 June 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively

EVENTS AFTER THE REPORTING PERIOD

Nil

OUTLOOK

In 2018, the transition from recovery to flourishment of the global economy showed a trend of strong economic growth. However, the economic growth will be affected by the tightening of monetary policies by the major developed economies, trade protectionism and geopolitical risks, and deglobalization may led to volatility, making the new phase of global industrial competition increasingly intense.

In 2018, the development of Chinese economy enters a new period, which moves from high-speed to high-quality growth, and achieving growth amid stability remains as the general principle for economic development. A new competitive landscape with rapid growth from expansion and advantages from structural upgrade and environmental protection enhancement is formed in the building materials industry. Prominent problems like over-capacity and fluctuations in prices still exist, and the enterprises still face a complicated and challenging environment for production and operation.

The merger of the Company and CNBM is about to complete, and this will provide a strong support for the vigorous development of the new company. The merger marks a new age and new journey to the Company. The new company will actively implement the operational policies of "maintaining steady growth, adjusting the structure, promoting reforms, enhancing Party building", focus on high quality development, emphasize on risk control as well as quality improvement and efficiency enhancement. It will deepen reforms and innovation, accelerate the promotion of restructuring and integration, continue to strengthen cooperation in global markets and adopt management measures including "price stabilisation, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment", so as to keep enhancing its profitability and competitiveness in the market. The new company strives to becoming a listed company with a leading position in the global building materials market and attains greater achievements in such a new and great journey in order to deliver better results to shareholders and the society.

DIVIDEND

Considering that all effective and implementation conditions for CNBM to merge by absorption of the Company by way of share exchange have been fulfilled, the Company expects that the share exchange will be completed before the date of the annual general meeting of CNBM (being 13 June 2018). By then the shares held by the Company's shareholders will be exchanged into shares of CNBM accordingly, and the Company's shareholders will be entitled to participate in the 2017 annual distribution of profit and final dividend of CNBM as a shareholder of CNBM. For details, please refer to the annual results announcement of CNBM dated on 23 March 2018. If the share-exchange cannot be completed on time due to uncontrollable factors, the Company will propose the plan for 2017 annual distribution of profit and final dividend in due course, and submit the same to the Board and the general meeting for consideration and approval.

CORPORATE GOVERNANCE

During the year ended 31 December 2017, the Company has fully complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, and requests that securities transactions by the directors and supervisors of the Company shall be conducted according to the Model Code, which is also applicable to the senior management of the Company. After the special inquiries conducted by the Company, all the directors and supervisors of the Company have confirmed that they have fully complied with the Model Code during the entire year of 2017.

AUDIT COMMITTEE

The audit committee of the Company comprising two independent non-executive directors, namely Mr. Lu Zhengfei and Mr. Wang Zhulin as well as one non-executive director, namely Mr. Li Xinhua. The audit committee of the Company and the management have reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including reviewing the unaudited interim results and the audited annual results for the year 2017 without dissenting opinion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT

This results announcement will be published on the Company's website (www.sinoma-ltd.cn) and the Stock Exchange's website (www.hkex.com.hk).

By order of the Board
CHINA NATIONAL MATERIALS COMPANY LIMITED
LIU Zhijiang
Chairman of the Board

Beijing, the PRC
23 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Liu Zhijiang and Mr. Peng Jianxin; the non-executive directors of the Company are Mr. Li Xinhua, Mr. Li Jianlun, Mr. Shen Yungang and Mr. Wang Fengting; and the independent non-executive directors of the Company are Mr. Leung Chong Shun, Mr. Lu Zhengfei and Mr. Wang Zhulin.