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**CNBM**

**China National Building Material Company Limited\***

**中國建 材 股 份 有 限 公 司**

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

(Stock Code: 3323)

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The Group's unaudited consolidated revenue amounted to RMB44,104 million for the six months ended 30 June 2016, representing a decrease of 8.8% as compared to the same period of 2015.

The unaudited profit attributable to owners of the Group was RMB110 million, representing a decrease of 86.1% as compared to the same period of 2015.

Basic earnings per share was RMB0.02, representing a decrease of 86.1% as compared to the same period of 2015. The Board does not recommend the payment of an interim dividend.

The Board of the Company announces the unaudited consolidated results of the Group for the six months ended 30 June 2016 prepared in accordance with the IFRS and the Group's consolidated financial position as of 30 June 2016, together with its consolidated results for the six months ended 30 June 2015 and consolidated financial position as of 31 December 2015 for comparison.

The unaudited consolidated financial information of the Group for the six months ended 30 June 2016 has been reviewed by the independent auditor, the Board and the audit committee of the Company.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

|   |             | <b>Six months ended 30 June</b> |                     |
|---|-------------|---------------------------------|---------------------|
|   |             | <b>2016</b>                     | <b>2015</b>         |
|   | <i>Note</i> | <b>RMB'000</b>                  | <b>RMB'000</b>      |
|   |             | <b>(unaudited)</b>              | <b>(unaudited)</b>  |
| <b>Revenue</b>                                | 3           | <b>44,103,725</b>               | 48,339,127          |
| Cost of sales                                 |             | <u><b>(32,814,211)</b></u>      | <u>(36,450,611)</u> |
| <b>Gross profit</b>                           |             | <b>11,289,514</b>               | 11,888,516          |
| Investment and other income – net             | 4           | <b>1,141,315</b>                | 3,694,121           |
| Selling and distribution costs                |             | <b>(3,130,611)</b>              | (3,165,117)         |
| Administrative expenses                       |             | <b>(4,124,904)</b>              | (4,711,645)         |
| Finance costs – net                           | 5           | <b>(4,147,899)</b>              | (5,251,922)         |
| Share of profits of associates                |             | <u><b>238,483</b></u>           | <u>95,714</u>       |
| <b>Profit before income tax</b>               | 6           | <b>1,265,898</b>                | 2,549,667           |
| Income tax expense                            | 7           | <u><b>(567,335)</b></u>         | <u>(982,443)</u>    |
| <b>Profit for the period</b>                  |             | <u><b>698,563</b></u>           | <u>1,567,224</u>    |
| <b>Profit attributable to:</b>                |             |                                 |                     |
| Owners of the Company                         |             | <b>109,813</b>                  | 791,604             |
| Holders of perpetual capital instruments      |             | <b>258,250</b>                  | 142,272             |
| Non-controlling interests                     |             | <u><b>330,500</b></u>           | <u>633,348</u>      |
|   |             | <u><b>698,563</b></u>           | <u>1,567,224</u>    |
|   |             | <b>RMB</b>                      | <b>RMB</b>          |
| <b>Earnings per share – basic and diluted</b> | 9           | <u><b>0.02</b></u>              | <u>0.147</u>        |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

|  | <b>Six months ended 30 June</b> |                         |
|--|---------------------------------|-------------------------|
|  | <b>2016</b>                     | <b>2015</b>             |
|  | <b>RMB'000</b>                  | <b>RMB'000</b>          |
|  | <b>(unaudited)</b>              | <b>(unaudited)</b>      |
| <b>Profit for the period</b>   | <b>698,563</b>                  | 1,567,224               |
| <b>Other comprehensive (expense)/income, net of tax:</b>   |                                 |                         |
| Items that may be reclassified subsequently to profit or loss  |                                 |                         |
| Currency translation differences   | (20,377)                        | (16,992)                |
| Changes in the fair value of available-for-sale financial assets   | (302,992)                       | 91,138                  |
| Reclassification adjustments relating to available-for-sale financial assets disposed of during the period | –                               | (11,925)                |
| Shares of associates' other comprehensive (expense)/income   | (4,760)                         | 35,010                  |
|  | <u>(328,129)</u>                | <u>97,231</u>           |
| <b>Other comprehensive (expense)/income for the period, net of tax</b>                                     |                                 |                         |
|  | <u>(328,129)</u>                | <u>97,231</u>           |
| <b>Total comprehensive income for the period</b>   | <b><u>370,434</u></b>           | <b><u>1,664,455</u></b> |
| <b>Total comprehensive (expense)/income attributable to:</b>   |                                 |                         |
| Owners of the Company  | (200,932)                       | 882,874                 |
| Holders of perpetual capital instruments   | 258,250                         | 142,272                 |
| Non-controlling interests  | 313,116                         | 639,309                 |
|  | <u>370,434</u>                  | <u>1,664,455</u>        |
| <b>Total comprehensive income for the period</b>   | <b><u>370,434</u></b>           | <b><u>1,664,455</u></b> |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2016*

|  |             | <b>30 June</b>            | 31 December        |
|--|-------------|---------------------------|--------------------|
|  |             | <b>2016</b>               | 2015               |
|  | <i>Note</i> | <b>RMB'000</b>            | <b>RMB'000</b>     |
|  |             | <b>(unaudited)</b>        | <b>(audited)</b>   |
| <b>Non-current assets</b>                                |             |                           |                    |
| Property, plant and equipment                            |             | <b>127,937,554</b>        | 126,225,417        |
| Prepaid lease payments                                   |             | <b>14,664,199</b>         | 14,512,689         |
| Investment properties                                    |             | <b>323,368</b>            | 323,395            |
| Goodwill   |             | <b>42,604,255</b>         | 42,604,255         |
| Intangible assets  |             | <b>7,154,450</b>          | 7,144,897          |
| Interests in associates                                  |             | <b>10,475,820</b>         | 10,364,548         |
| Available-for-sale financial assets                      |             | <b>3,016,375</b>          | 3,331,163          |
| Deposits   |             | <b>3,624,074</b>          | 4,213,178          |
| Deferred income tax assets                               |             | <b>3,878,811</b>          | 4,015,509          |
|  |             | <b><u>213,678,906</u></b> | <u>212,735,051</u> |
| <b>Current assets</b>                                    |             |                           |                    |
| Inventories  |             | <b>16,216,583</b>         | 15,164,523         |
| Trade and other receivables                              | 10          | <b>80,060,767</b>         | 69,693,408         |
| Available-for-sale financial assets                      |             | <b>132,480</b>            | 132,480            |
| Financial assets at fair value<br>through profit or loss |             | <b>2,404,476</b>          | 3,084,343          |
| Amounts due from related parties                         |             | <b>12,043,054</b>         | 12,652,293         |
| Pledged bank deposits                                    |             | <b>7,549,089</b>          | 5,746,301          |
| Cash and cash equivalents                                |             | <b>14,870,818</b>         | 10,579,535         |
|  |             | <b><u>133,277,267</u></b> | <u>117,052,883</u> |
| <b>Current liabilities</b>                               |             |                           |                    |
| Trade and other payables                                 | 11          | <b>53,893,969</b>         | 46,291,855         |
| Amounts due to related parties                           |             | <b>6,893,424</b>          | 7,342,940          |
| Borrowings – amount due within one year                  |             | <b>149,105,974</b>        | 144,425,583        |
| Obligations under finance leases                         |             | <b>4,606,982</b>          | 4,456,608          |
| Current income tax liabilities                           |             | <b>1,300,542</b>          | 1,652,014          |
| Financial guarantee contracts due<br>with one year       |             | <b>56,981</b>             | 56,981             |
| Dividend payable to non-controlling interests            |             | <b>428,126</b>            | 216,528            |
|  |             | <b><u>216,285,998</u></b> | <u>204,442,509</u> |

|  | <b>30 June<br/>2016<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2015<br>RMB'000<br>(audited) |
|--|---|---|
| <b>Net current liabilities</b>               | <b><u>(83,008,731)</u></b>                          | <u>(87,389,626)</u>                         |
| <b>Total assets less current liabilities</b> | <b><u>130,670,175</u></b>                           | <u>125,345,425</u>                          |
| <b>Non-current liabilities</b>               |   |   |
| Borrowings – amount due after one year       | <b>36,859,078</b>                                   | 30,501,188                                  |
| Deferred income                              | <b>1,095,990</b>                                    | 1,108,573                                   |
| Obligations under finance leases             | <b>17,656,042</b>                                   | 18,150,330                                  |
| Deferred income tax liabilities              | <b><u>1,810,936</u></b>                             | <u>2,124,057</u>                            |
|  | <b><u>57,422,046</u></b>                            | <u>51,884,148</u>                           |
| <b>Net assets</b>                            | <b><u><u>73,248,129</u></u></b>                     | <u><u>73,461,277</u></u>                    |
| <b>Capital and reserves</b>                  |   |   |
| Share capital                                | <b>5,399,026</b>                                    | 5,399,026                                   |
| Reserves                                     | <b><u>36,009,775</u></b>                            | <u>36,499,449</u>                           |
| <b>Equity attributable to:</b>               |   |   |
| Owners of the Company                        | <b>41,408,801</b>                                   | 41,898,475                                  |
| Perpetual capital instruments                | <b>10,253,113</b>                                   | 9,994,863                                   |
| Non-controlling interests                    | <b><u>21,586,215</u></b>                            | <u>21,567,939</u>                           |
| <b>Total equity</b>                          | <b><u><u>73,248,129</u></u></b>                     | <u><u>73,461,277</u></u>                    |

# **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

## **1. GENERAL INFORMATION**

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

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

The Company’s immediate and ultimate holding company is China National Building Material Group Corporation (“Parent”), which is a state-owned enterprise established on 3 January 1984 under the laws of the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the cement, concrete, lightweight building materials, glass fibre, composite materials and engineering services businesses. Hereinafter, the Company and its subsidiaries are collectively referred to as the “Group”.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), which is the same as functional currency of the Company, unless otherwise stated.

The condensed consolidated interim financial information has not been audited.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and in compliance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015, which has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board.

The accounting policies used in this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

**(a) New and amended standards adopted by the Group**

The following new standards and amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2016:

|   |  |
|---|--|
| IFRS 14                                   | Regulatory deferral accounts   |
| Amendments to IFRS 11                     | Accounting for Acquisition of Interests in Joint Operations          |
| Amendments to IAS 1                       | Disclosure Initiative  |
| Amendments to IAS 27                      | Equity method in separate financial statements                       |
| Amendments to IAS 16 and IAS 38           | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to IAS 16 and IAS 41           | Agriculture: Bearer Plants   |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception            |
| Amendments to IFRSs                       | Annual Improvements to IFRSs 2012–2014 Cycle                         |

The adoption of the above amended standards had no material impact on the amounts reported and disclosures set out in the condensed consolidated interim financial information of the Group for the current or prior accounting periods.

**(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2016, and have not been early adopted by the Group:**

|                                  |  |
|----------------------------------|--|
| IFRS 9                           | Financial Instruments <sup>2</sup>   |
| IFRS 15                          | Revenue from Contracts with Customers <sup>2</sup>   |
| IFRS 16                          | Leases <sup>3</sup>  |
| Amendments to IAS 7              | Disclosure Initiative <sup>1</sup>   |
| Amendments to IAS 12             | Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>                              |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> The original effective date of 1 January 2016 has been postponed until further announcement by the IASB.

The Group is in the process of making an assessment of what impact of these amendments and new standards would be in the period of initial application but not yet in a position to state whether these amendments, new or revised standards and interpretations would have significant impact on the Group's results of operations and financial position.



### 3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into six major operating divisions during the period – cement, concrete, lightweight building materials, glass fibre and composite materials, engineering services and others. These activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

|                                     |   |   |
|-------------------------------------|---|---|
| Cement                              | – | Production and sale of cement   |
| Concrete                            | – | Production and sale of concrete   |
| Lightweight building materials      | – | Production and sale of lightweight building materials   |
| Glass fibre and composite materials | – | Production and sale of glass fibre and composite materials                                    |
| Engineering services                | – | Provision of engineering services to glass and cement manufacturers and equipment procurement |
| Others                              | – | Merchandise trading business and others   |

More than 90% of the Group's operations and assets are located in the PRC for the six months ended 30 June 2016 and year ended 31 December 2015.

**(a) For the six months ended 30 June 2016:**

The segment results for the six months ended 30 June 2016 are as follows:

|                                      | Glass             |                  |                                |                               |                      |                  |                    | Eliminations      | Total |
|--------------------------------------|-------------------|------------------|--------------------------------|-------------------------------|----------------------|------------------|--------------------|-------------------|-------|
|                                      | Cement            | Concrete         | Lightweight building materials | fibre and composite materials | Engineering services | Others           |                    |                   |       |
| Unaudited                            | RMB'000           | RMB'000          | RMB'000                        | RMB'000                       | RMB'000              | RMB'000          | RMB'000            | RMB'000           |       |
| Revenue                              |                   |                  |                                |                               |                      |                  |                    |                   |       |
| External sales                       | 25,769,201        | 9,681,301        | 3,419,734                      | 986,170                       | 3,467,286            | 780,033          | -                  | 44,103,725        |       |
| Inter-segment sales ( <i>Note</i> )  | <u>1,930,086</u>  | <u>-</u>         | <u>221</u>                     | <u>-</u>                      | <u>200,819</u>       | <u>548,889</u>   | <u>(2,680,015)</u> | <u>-</u>          |       |
|                                      | <u>27,699,287</u> | <u>9,681,301</u> | <u>3,419,955</u>               | <u>986,170</u>                | <u>3,668,105</u>     | <u>1,328,922</u> | <u>(2,680,015)</u> | <u>44,103,725</u> |       |
| Adjusted EBITDA (unaudited)          | <u>6,131,303</u>  | <u>1,318,368</u> | <u>971,676</u>                 | <u>132,799</u>                | <u>624,578</u>       | <u>(12,777)</u>  | <u>-</u>           | <u>9,165,947</u>  |       |
| Depreciation and amortisation        | (3,118,420)       | (454,698)        | (224,022)                      | (41,023)                      | (88,850)             | (51,046)         | -                  | (3,978,059)       |       |
| Unallocated other income – net       |                   |                  |                                |                               |                      |                  |                    | 113,098           |       |
| Unallocated administrative expenses  |                   |                  |                                |                               |                      |                  |                    | (125,672)         |       |
| Share of profit/(loss) of associates | (17,460)          | -                | 937                            | 1,693                         | (359)                | 253,672          | -                  | 238,483           |       |
| Finance costs – net                  | (3,328,429)       | (623,264)        | (43,964)                       | (16,208)                      | (179,143)            | (127,483)        | -                  | (4,318,491)       |       |
| Unallocated finance costs – net      |                   |                  |                                |                               |                      |                  |                    | <u>170,592</u>    |       |
| Profit before income tax             |                   |                  |                                |                               |                      |                  |                    | 1,265,898         |       |
| Income tax expense                   |                   |                  |                                |                               |                      |                  |                    | <u>(567,335)</u>  |       |
| Profit for the period (unaudited)    |                   |                  |                                |                               |                      |                  |                    | <u>698,563</u>    |       |

*Note:* The inter-segment sales were carried out with reference to market prices.

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profit/(loss) of associates and income tax expenses. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the period under evaluation compared to relying on one of the measures.

**(b) As at 30 June 2016:**

The segment assets and liabilities as at 30 June 2016 are as follows:

|   | Cement        | Concrete     | Lightweight<br>building<br>materials | Glass<br>fibre and<br>composite<br>materials | Engineering<br>services | Others      | Eliminations | Total                       |
|---|---------------|--------------|--------------------------------------|--|-------------------------|-------------|--------------|-----------------------------|
|   |               |              |                                      |  |                         |             |              |                             |
| <b>Unaudited</b>                                  |               |              |                                      |  |                         |             |              |                             |
| <b>ASSETS</b>                                     |               |              |                                      |  |                         |             |              |                             |
| Segment assets                                    | 207,098,197   | 48,938,310   | 11,496,195                           | 5,691,391                                    | 17,853,631              | 6,993,107   | -            | 298,070,831                 |
| Interests in associates                           | 6,332,293     | -            | 110,298                              | 3,423,583                                    | 33,513                  | 576,133     | -            | 10,475,820                  |
| Unallocated assets                                |               |              |                                      |  |                         |             |              | <u>38,409,522</u>           |
| <b>Total consolidated assets<br/>(unaudited)</b>  |               |              |                                      |  |                         |             |              | <u><u>346,956,173</u></u>   |
| <b>LIABILITIES</b>                                |               |              |                                      |  |                         |             |              |                             |
| Segment liabilities                               | (154,212,867) | (16,213,944) | (3,431,076)                          | (3,314,910)                                  | (16,781,634)            | (7,322,238) | -            | (201,276,669)               |
| Unallocated liabilities                           |               |              |                                      |  |                         |             |              | <u>(72,431,375)</u>         |
| <b>Total consolidated liabilities (unaudited)</b> |               |              |                                      |  |                         |             |              | <u><u>(273,708,044)</u></u> |

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

**(c) For the six months ended 30 June 2015:**

The segment results for the six months ended 30 June 2015 are as follows:

|  | Cement                  | Concrete                | Lightweight<br>building<br>materials | Glass                               |                         | Others               | Eliminations       | Total                    |
|--|-------------------------|-------------------------|--------------------------------------|-------------------------------------|-------------------------|----------------------|--------------------|--------------------------|
|  |                         |                         |                                      | fibre and<br>composite<br>materials | Engineering<br>services |                      |                    |                          |
| Unaudited                                | RMB'000                 | RMB'000                 | RMB'000                              | RMB'000                             | RMB'000                 | RMB'000              | RMB'000            | RMB'000                  |
| Revenue                                  |                         |                         |                                      |                                     |                         |                      |                    |                          |
| External sales                           | 28,800,111              | 10,544,662              | 3,393,047                            | 1,504,198                           | 2,753,203               | 1,343,906            | -                  | 48,339,127               |
| Inter-segment sales <i>(Note)</i>        | <u>963,211</u>          | <u>41</u>               | <u>-</u>                             | <u>-</u>                            | <u>366,425</u>          | <u>347,434</u>       | <u>(1,677,111)</u> | <u>-</u>                 |
|  | <u>29,763,322</u>       | <u>10,544,703</u>       | <u>3,393,047</u>                     | <u>1,504,198</u>                    | <u>3,119,628</u>        | <u>1,691,340</u>     | <u>(1,677,111)</u> | <u>48,339,127</u>        |
| <b>Adjusted EBITDA (unaudited)</b>       | <b><u>7,992,220</u></b> | <b><u>1,873,168</u></b> | <b><u>871,759</u></b>                | <b><u>238,845</u></b>               | <b><u>521,585</u></b>   | <b><u>55,837</u></b> | <b><u>-</u></b>    | <b><u>11,553,414</u></b> |
| Depreciation and amortisation            | (3,040,531)             | (457,685)               | (191,880)                            | (41,756)                            | (61,415)                | (36,134)             | 19,532             | (3,809,869)              |
| Unallocated other income – net           |                         |                         |                                      |                                     |                         |                      |                    | 66,557                   |
| Unallocated administrative expenses      |                         |                         |                                      |                                     |                         |                      |                    | (104,227)                |
| Share of profit/(loss) of associates     | 32,108                  | -                       | 775                                  | (15,300)                            | (1,398)                 | 79,529               | -                  | 95,714                   |
| Finance costs – net                      | (3,804,915)             | (880,107)               | (68,544)                             | (19,804)                            | (152,187)               | (80,419)             | -                  | (5,005,976)              |
| Unallocated finance costs – net          |                         |                         |                                      |                                     |                         |                      |                    | <u>(245,946)</u>         |
| Profit before income tax                 |                         |                         |                                      |                                     |                         |                      |                    | 2,549,667                |
| Income tax expense                       |                         |                         |                                      |                                     |                         |                      |                    | <u>(982,443)</u>         |
| <b>Profit for the period (unaudited)</b> |                         |                         |                                      |                                     |                         |                      |                    | <b><u>1,567,224</u></b>  |

*Note:* The inter-segment sales were carried out with reference to market prices.

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profit/(loss) of associates and income tax expenses. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the period under evaluation compared to relying on one of the measures.

**(d) As at 31 December 2015:**

The segment assets and liabilities as at 31 December 2015 are as follows:

|   | Cement        | Concrete     | Lightweight<br>building<br>materials | Glass<br>fibre and<br>composite<br>materials | Engineering<br>services | Others      | Eliminations | Total                       |
|---|---------------|--------------|--------------------------------------|--|-------------------------|-------------|--------------|-----------------------------|
| Unaudited                                       | RMB'000       | RMB'000      | RMB'000                              | RMB'000                                      | RMB'000                 | RMB'000     | RMB'000      | RMB'000                     |
| <b>ASSETS</b>                                   |               |              |                                      |  |                         |             |              |                             |
| Segment assets                                  | 201,387,744   | 44,956,550   | 11,662,524                           | 5,369,539                                    | 13,765,966              | 6,673,901   | -            | 283,816,224                 |
| Interests in associates                         | 6,355,151     | -            | 109,360                              | 3,309,452                                    | 33,890                  | 556,695     | -            | 10,364,548                  |
| Unallocated assets                              |               |              |                                      |  |                         |             |              | <u>35,607,162</u>           |
| <b>Total consolidated assets (audited)</b>      |               |              |                                      |  |                         |             |              | <u><u>329,787,934</u></u>   |
| <b>LIABILITIES</b>                              |               |              |                                      |  |                         |             |              |                             |
| Segment liabilities                             | (151,416,516) | (13,582,879) | (3,739,641)                          | (3,019,662)                                  | (14,063,378)            | (6,597,271) | -            | (192,419,347)               |
| Unallocated liabilities                         |               |              |                                      |  |                         |             |              | <u>(63,907,310)</u>         |
| <b>Total consolidated liabilities (audited)</b> |               |              |                                      |  |                         |             |              | <u><u>(256,326,657)</u></u> |

- (e) A reconciliation of total adjusted profit before finance costs, income tax expenses, depreciation and amortisation, is provided as follows:

|   | <b>Six months ended 30 June</b> |                         |
|---|---------------------------------|-------------------------|
|   | <b>2016</b>                     | <b>2015</b>             |
|   | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b>   |
|   | <b>(unaudited)</b>              | <b>(unaudited)</b>      |
| Adjusted EBITDA for reportable segments   | <b>9,178,724</b>                | 11,497,577              |
| Adjusted EBITDA for other segment   | <b>(12,777)</b>                 | 55,837                  |
|   | <hr/>                           | <hr/>                   |
| Total segments profit   | <b>9,165,947</b>                | 11,553,414              |
| Depreciation of property, plant and equipment                                     | <b>(3,507,682)</b>              | (3,433,325)             |
| Amortisation of intangible assets   | <b>(232,570)</b>                | (188,948)               |
| Prepaid lease payments released to the<br>condensed consolidated income statement | <b>(237,807)</b>                | (187,596)               |
| Corporate items   | <b>(12,574)</b>                 | (37,670)                |
|   | <hr/>                           | <hr/>                   |
| Operating profit  | <b>5,175,314</b>                | 7,705,875               |
| Finance costs – net   | <b>(4,147,899)</b>              | (5,251,922)             |
| Share of profit of associates   | <b>238,483</b>                  | 95,714                  |
|   | <hr/>                           | <hr/>                   |
| Profit before income tax  | <b><u>1,265,898</u></b>         | <b><u>2,549,667</u></b> |

#### 4. INVESTMENT AND OTHER INCOME – NET

|  | <b>Six months ended 30 June</b> |                         |
|--|---------------------------------|-------------------------|
|  | <b>2016</b>                     | <b>2015</b>             |
|  | <b>RMB'000</b>                  | <b>RMB'000</b>          |
|  | <b>(unaudited)</b>              | <b>(unaudited)</b>      |
| Changes in fair value of financial assets at fair value through profit or loss | <b>(429,867)</b>                | 1,428,974               |
| Government subsidies:  |                                 |                         |
| – VAT refunds ( <i>Note (a)</i> )  | <b>520,499</b>                  | 890,198                 |
| – Government grants ( <i>Note (b)</i> )  | <b>631,146</b>                  | 776,039                 |
| – Interest subsidy   | <b>18,654</b>                   | 53,754                  |
| Net rental income  | <b>151,211</b>                  | 197,425                 |
| Discount on acquisition of interests in subsidiaries                           | –                               | 34,080                  |
| Gain on disposal of other investments  | <b>1,377</b>                    | 551                     |
| Claims received  | <b>10,583</b>                   | 27,394                  |
| Waiver of payables   | <b>8,402</b>                    | 32,627                  |
| Others   | <b>229,310</b>                  | 253,079                 |
|  | <b><u>1,141,315</u></b>         | <b><u>3,694,121</u></b> |

*Notes:*

- (a) The State Council of the PRC issued a “Notice Encouraging Comprehensive Utilisation of Natural Resources” (the “Notice”) in 1996 to encourage and support enterprises, through incentive policies, to comprehensively utilise natural resources. Pursuant to the Notice, the Ministry of Finance and the State Administration of Taxation of the PRC enacted several regulations providing incentives in form of VAT refund for certain environmentally friendly products, including products that utilise industrial waste as part of their raw materials. Under the Notice and such regulations, the Group is entitled to receive immediate or future refund on any paid VAT with respect to any eligible products as income after it receives approvals from the relevant government authorities.
- (b) Government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

## 5. FINANCE COSTS – NET

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2016</b>                     | <b>2015</b>        |
|  | <b>RMB'000</b>                  | <b>RMB'000</b>     |
|  | <b>(unaudited)</b>              | <b>(unaudited)</b> |
| Interest expenses on bank borrowings:                              |                                 |                    |
| – wholly repayable within five years                               | <b>2,451,404</b>                | 3,473,597          |
| – not wholly repayable within five years                           | <b>11,885</b>                   | 7,991              |
|  | <u><b>2,463,289</b></u>         | <u>3,481,588</u>   |
| Interest expenses on bonds, other borrowings<br>and finance leases | <b>2,080,463</b>                | 2,175,019          |
| Less: Interest capitalised to construction in progress             | <b>(139,232)</b>                | (181,775)          |
|  | <u><b>4,404,520</b></u>         | <u>5,474,832</u>   |
| Interest income:   |                                 |                    |
| – interest on bank deposits  | <b>(233,141)</b>                | (168,061)          |
| – interest on loans receivable                                     | <b>(23,480)</b>                 | (54,849)           |
|  | <u><b>(256,621)</b></u>         | <u>(222,910)</u>   |
| Finance costs – net  | <u><b>4,147,899</b></u>         | <u>5,251,922</u>   |

## 6. PROFIT BEFORE INCOME TAX

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

|   | <b>Six months ended 30 June</b> |                    |
|---|---------------------------------|--------------------|
|   | <b>2016</b>                     | <b>2015</b>        |
|   | <b>RMB'000</b>                  | <b>RMB'000</b>     |
|   | <b>(unaudited)</b>              | <b>(unaudited)</b> |
| Depreciation of property, plant and equipment                                 | <b>3,532,582</b>                | 3,457,975          |
| Depreciation of investment properties   | <b>4,709</b>                    | 4,527              |
| Amortisation of intangible assets   | <b>232,570</b>                  | 188,948            |
| Prepaid lease payments released to condensed<br>consolidated income statement | <b>237,807</b>                  | 187,596            |
| Allowance for bad and doubtful debts  | <b>211,450</b>                  | 198,371            |
| Staff costs   | <b>4,517,443</b>                | 4,877,490          |
| Net foreign exchange (gains)/losses   | <b>(57,067)</b>                 | 4,164              |
|   | <u><b>4,517,443</b></u>         | <u>4,877,490</u>   |



## 7. INCOME TAX EXPENSE

|                     | <b>Six months ended 30 June</b> |                       |
|---------------------|---------------------------------|-----------------------|
|                     | <b>2016</b>                     | <b>2015</b>           |
|                     | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|                     | <b>(unaudited)</b>              | <b>(unaudited)</b>    |
| Current income tax  | <b>728,288</b>                  | 1,021,820             |
| Deferred income tax | <b>(160,953)</b>                | (39,377)              |
|                     | <b><u>567,335</u></b>           | <b><u>982,443</u></b> |

PRC income tax is calculated at 25% (2015: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rate of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

Taxation on profits outside the PRC has been calculated on the estimated assessable profits for the six months ended 30 June 2016 at the rates of taxation prevailing in the countries in which the Group operates.

## 8. DIVIDENDS

|           | <b>Six months ended 30 June</b> |                       |
|-----------|---------------------------------|-----------------------|
|           | <b>2016</b>                     | <b>2015</b>           |
|           | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|           | <b>(unaudited)</b>              | <b>(unaudited)</b>    |
| Dividends | <b><u>199,764</u></b>           | <b><u>890,839</u></b> |

During the period, a dividend amounting to approximately RMB199.76 million (six months ended 30 June 2015: approximately RMB890.84 million) was announced as the final dividend for the immediate preceding financial year end.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

## 9. EARNINGS PER SHARE

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

|   | <b>Six months ended 30 June</b> |                             |
|---|---------------------------------|-----------------------------|
|   | <b>2016</b>                     | <b>2015</b>                 |
|   | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b>       |
|   | <b>(unaudited)</b>              | <b>(unaudited)</b>          |
| Profit attributable to owners of the Company          | <b><u>109,813</u></b>           | <b><u>791,604</u></b>       |
|   |                                 |                             |
|   | <b>Six months ended 30 June</b> |                             |
|   | <b>2016</b>                     | <b>2015</b>                 |
|   | <b>(unaudited)</b>              | <b>(unaudited)</b>          |
| Weighted average number of ordinary shares at 30 June | <b><u>5,399,026,262</u></b>     | <b><u>5,399,026,262</u></b> |

No diluted earnings per share have been presented as the Group did not have any dilutive potential ordinary shares outstanding during both periods.

## 10. TRADE AND OTHER RECEIVABLES

|  | <b>30 June</b>           | <b>31 December</b>       |
|--|--------------------------|--------------------------|
|  | <b>2016</b>              | <b>2015</b>              |
|  | <b><i>RMB'000</i></b>    | <b><i>RMB'000</i></b>    |
|  | <b>(unaudited)</b>       | <b>(audited)</b>         |
| Trade receivables, net of allowance for bad and doubtful debts | <b>34,310,069</b>        | 29,718,076               |
| Bills receivable   | <b>8,601,988</b>         | 5,680,291                |
| Amounts due from customers for contract work                   | <b>4,983,467</b>         | 4,836,005                |
| Prepaid lease payments   | <b>360,945</b>           | 363,736                  |
| Other receivables, deposits and prepayments                    | <b><u>31,804,298</u></b> | <b><u>29,095,300</u></b> |
|  | <b><u>80,060,767</u></b> | <b><u>69,693,408</u></b> |

The Group normally allowed an average of credit period of 60 to 180 days to its trade customers. Ageing analysis of trade receivables is as follows:

|  | <b>30 June<br/>2016<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2015<br>RMB'000<br>(audited) |
|--|---|---|
| Within two months                        | <b>11,969,060</b>                                   | 7,864,894                                   |
| More than two months but within one year | <b>15,189,323</b>                                   | 14,958,975                                  |
| Between one and two years                | <b>5,366,951</b>                                    | 5,469,809                                   |
| Between two and three years              | <b>1,379,974</b>                                    | 1,092,681                                   |
| Over three years                         | <b>404,761</b>                                      | 331,717                                     |
|  | <b><u>34,310,069</u></b>                            | <b><u>29,718,076</u></b>                    |

The carrying amounts of trade and other receivables approximate to their fair values. Bills receivable is aged within six months.

## 11. TRADE AND OTHER PAYABLES

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

|  | <b>30 June<br/>2016<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2015<br>RMB'000<br>(audited) |
|--|---|---|
| Within two months                          | <b>8,395,902</b>                                    | 7,640,216                                   |
| More than two months but within one year   | <b>7,630,279</b>                                    | 7,764,557                                   |
| Between one and two years                  | <b>2,678,337</b>                                    | 2,309,741                                   |
| Between two and three years                | <b>682,919</b>                                      | 497,350                                     |
| Over three years                           | <b>744,765</b>                                      | 694,812                                     |
| Trade payables                             | <b>20,132,202</b>                                   | 18,906,676                                  |
| Bills payable                              | <b>14,767,949</b>                                   | 10,300,827                                  |
| Amounts due to customers for contract work | <b>796,594</b>                                      | 491,418                                     |
| Other payables                             | <b>18,197,224</b>                                   | 16,592,934                                  |
|  | <b><u>53,893,969</u></b>                            | <b><u>46,291,855</u></b>                    |

The carrying amounts of trade and other payables approximate to their fair values. Bills payable is aged within six months.

## BUSINESS REVIEW AND OUTLOOK

The summary of major operating data of each segment of the Group for the six months ended 30 June 2016 and 30 June 2015 is set out below:

### CEMENT SEGMENT

#### China United

|   | For the six months ended |        |
|---|--------------------------|--------|
|   | 30 June                  |        |
|   | 2016                     | 2015   |
| Production volume – cement ( <i>in thousand tonnes</i> )                | <b>25,890</b>            | 21,920 |
| Production volume – clinker ( <i>in thousand tonnes</i> )               | <b>24,450</b>            | 23,680 |
| Sales volume – cement ( <i>in thousand tonnes</i> )                     | <b>23,821</b>            | 19,853 |
| Sales volume – clinker ( <i>in thousand tonnes</i> )                    | <b>8,551</b>             | 9,182  |
| Unit selling price – cement ( <i>RMB per tonne</i> )                    | <b>181.2</b>             | 208.0  |
| Unit selling price – clinker ( <i>RMB per tonne</i> )                   | <b>142.7</b>             | 185.8  |
| Commercial concrete sales volume ( <i>in thousand m<sup>3</sup></i> )   | <b>14,401</b>            | 12,811 |
| Unit selling price-commercial concrete ( <i>RMB per m<sup>3</sup></i> ) | <b>262.0</b>             | 282.6  |

#### South Cement

|   | For the six months ended |        |
|---|--------------------------|--------|
|   | 30 June                  |        |
|   | 2016                     | 2015   |
| Production volume – cement ( <i>in thousand tonnes</i> )                  | <b>44,923</b>            | 43,137 |
| Production volume – clinker ( <i>in thousand tonnes</i> )                 | <b>40,270</b>            | 41,529 |
| Sales volume – cement ( <i>in thousand tonnes</i> )                       | <b>41,418</b>            | 42,057 |
| Sales volume – clinker ( <i>in thousand tonnes</i> )                      | <b>12,053</b>            | 11,952 |
| Unit selling price – cement ( <i>RMB per tonne</i> )                      | <b>183.7</b>             | 219.5  |
| Unit selling price – clinker ( <i>RMB per tonne</i> )                     | <b>144.0</b>             | 182.5  |
| Commercial concrete sales volume ( <i>in thousand m<sup>3</sup></i> )     | <b>18,533</b>            | 18,609 |
| Unit selling price – commercial concrete ( <i>RMB per m<sup>3</sup></i> ) | <b>287.9</b>             | 336.1  |

## North Cement

|   | For the six months ended |       |
|---|--------------------------|-------|
|   | 30 June                  |       |
|   | 2016                     | 2015  |
| Production volume – cement ( <i>in thousand tonnes</i> )                  | <b>6,989</b>             | 6,514 |
| Production volume – clinker ( <i>in thousand tonnes</i> )                 | <b>5,456</b>             | 5,512 |
| Sales volume – cement ( <i>in thousand tonnes</i> )                       | <b>7,030</b>             | 6,798 |
| Sales volume – clinker ( <i>in thousand tonnes</i> )                      | <b>1,277</b>             | 736   |
| Unit selling price – cement ( <i>RMB per tonne</i> )                      | <b>252.5</b>             | 288.3 |
| Unit selling price – clinker ( <i>RMB per tonne</i> )                     | <b>195.0</b>             | 217.1 |
| Commercial concrete sales volume ( <i>in thousand m<sup>3</sup></i> )     | <b>896</b>               | 1,071 |
| Unit selling price – commercial concrete ( <i>RMB per m<sup>3</sup></i> ) | <b>292.7</b>             | 318.8 |

## Southwest Cement

|   | For the six months ended |        |
|---|--------------------------|--------|
|   | 30 June                  |        |
|   | 2016                     | 2015   |
| Production volume – cement ( <i>in thousand tonnes</i> )                  | <b>41,112</b>            | 39,235 |
| Production volume – clinker ( <i>in thousand tonnes</i> )                 | <b>29,728</b>            | 28,605 |
| Sales volume – cement ( <i>in thousand tonnes</i> )                       | <b>40,376</b>            | 39,202 |
| Sales volume – clinker ( <i>in thousand tonnes</i> )                      | <b>1,084</b>             | 1,627  |
| Unit selling price – cement ( <i>RMB per tonne</i> )                      | <b>211.1</b>             | 229.2  |
| Unit selling price – clinker ( <i>RMB per tonne</i> )                     | <b>188.8</b>             | 193.1  |
| Commercial concrete sales volume ( <i>in thousand m<sup>3</sup></i> )     | <b>623</b>               | 484    |
| Unit selling price – commercial concrete ( <i>RMB per m<sup>3</sup></i> ) | <b>260.1</b>             | 280.8  |

## LIGHTWEIGHT BUILDING MATERIALS SEGMENT

|   | For the six months ended |       |
|---|--------------------------|-------|
|   | 30 June                  |       |
|   | 2016                     | 2015  |
| <b>Gypsum boards – BNBM</b>                                 |                          |       |
| Production volume ( <i>in million m<sup>2</sup></i> )       | 115.0                    | 104.7 |
| Sales volume ( <i>in million m<sup>2</sup></i> )            | 117.3                    | 101.9 |
| Average unit selling price ( <i>RMB per m<sup>2</sup></i> ) | 5.94                     | 6.47  |
| <b>Gypsum boards – Taishan Gypsum</b>                       |                          |       |
| Production volume ( <i>in million m<sup>2</sup></i> )       | 597.9                    | 553.4 |
| Sales volume ( <i>in million m<sup>2</sup></i> )            | 606.3                    | 557.9 |
| Average unit selling price ( <i>RMB per m<sup>2</sup></i> ) | 3.88                     | 4.46  |

## GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

|   | For the six months ended |         |
|---|--------------------------|---------|
|   | 30 June                  |         |
|   | 2016                     | 2015    |
| Rotor blade   |                          |         |
| Production volume ( <i>in blade</i> )               | 1,844                    | 3,056   |
| Sales volume ( <i>in blade</i> )                    | 1,668                    | 2,868   |
| Average unit selling price ( <i>RMB per blade</i> ) | 446,300                  | 371,215 |

## OVERVIEW OF THE FIRST HALF OF THE YEAR

### INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

The first half of 2016 saw the mounting downward pressure on the economy as complex scenarios arose in both domestic and international economy. The central government accelerated the structural reform on the supply side while amplifying the total demand to an adequate extent, and the domestic economy progressed amidst the overall stability as a result. In the first half of the year, the GDP grew 6.7% year-on-year and fixed asset investment grew 9% year-on-year. In particular, the infrastructure investment grew 20.9% year-on-year, with an increase of 1.8 percentage points in the growth rate, and property development investment grew 6.1% year-on-year, with an increase of 1.5 percentage points in the growth rate. Driven by the bounce back on the growth rate of infrastructure investment and property investment, the demand in the building materials industry heated up in the first half of the year, presenting a growth at a sluggish pace. Notwithstanding that the price of cement, the principal product, was heading upwards, the price level was relatively low, and the industry witnessed a smaller year-on-year drop in profits.

In the first half of 2016, the Group strived to overcome the extreme difficulty presented by the decline in demand, prices and efficiency by fostering market competition in a holistic manner, optimizing marketing strategies, deepening management integration, accelerating the transformation and upgrading and stabilizing growth by all means through adhering to the five operation management guiding principles, namely “quality and efficiency enhancement and transformation and upgrading”, “preparation, meticulousness, refinement, solidity”, “Four Execution & Four Control and Four Increase & Four Reduction”, “price stabilization, cost reduction, receivables collection, inventory control and adjustment” and “prioritising effectiveness and efficiency”, and acquiring in-depth knowledge in and promoting the management know-how of “Eight Working Methods”, “Six-star Enterprise” and “methods of increasing, saving and reducing”. In the first half of the year, compared with the same period of last year, the sales volume of cement and clinker of the Group increased by 3.3% to 136.5 million tonnes, the sales volume of commercial concrete increased by 4.2% to 35.0 million cubic metres, the sales volume of gypsum board increased by 9.7% to 724 million square metres, the sales volume of rotor blade decreased by 41.8% to 1,668 pieces and the sales volume of fiberglass increased by 5.5% to 0.56 million tonnes. The revenue of the Group amounted to RMB44,103.7 million, representing a 8.8% decrease year-on-year. Profit attributable to equity holders of the Company amounted to RMB109.8 million, representing a 86.1% decrease year-on-year.

## **CEMENT SEGMENT**

### **Review of the cement industry in the PRC in the first half of 2016**

In the first half of 2016, the cement demand was better than expected, with cement demand recorded a low speed growth. The total production volume of cement in the PRC amounted to 1.109 billion tonnes, representing a 3.2% increase year-on-year. The price of cement recovered as compared with the beginning of the year, but the price levels were still rather low overall, resulting in a decrease of 26.6% in the industry-wide total profit as compared with the same period of last year.

Key emphasis was placed by the central government on resolving excess capacity in the industry-wide structural adjustment. As set forth in the document numbered 2016 [No. 34] issued by the General Office of the State Council, the new construction of cement and clinker capacity before the end of 2020 have been prohibited in a bid to eliminate obsolete production capacity and optimize the production capacity in reserve; mergers and acquisitions are encouraged in order to increase the degree of concentration within the industry; business models such as staggering production have been implemented in order to alleviate air pollution; the quality and efficiency enhancement of the cement industry has been promoted by expediting transformation and upgrading. In the first half of 2016, the additional production capacity for clinker in the PRC amounted to 10.85 million tonnes, representing a year-on-year decrease of 48%, whereas the investment in cement amounted to RMB39.16 billion, representing a year-on-year decrease of 9.29%. (Sources: NBS, MIIT, MEP, China Cement Association (中國水泥協會) and Geography Cement)

## **Review of the cement segment business of the Group in the first half of 2016**

The cement segment of the Group proactively coped with the challenge posed by the slowdown in cement demand growth, overcapacity, decrease in price and profit. By adhering to the business ideology of “PCP”, the Group actively participated in industry self-regulation comprehensively promoted the high-level and meticulous co-opetition; comprehensively promoted kiln suspension, limited production, staggering production in accordance with the principle of “simplified organization and capable personnel”, promoted “Four Reduction” with great effort, and continuously implemented organizational optimization and the Three Formulations. It attached great importance to KPI and the Group comprehensively implemented the cost and expense control plan and deepened the lean production and delicacy management. In addition, the management of account receivables and inventory was enhanced and the scale of “Two Amounts” was strictly controlled with an aim to improving the efficiency in capital utilization.

### ***China United***

Insisting on the business ideology of “PCP”, China United deepened the market co-opetition to achieve the normalization of staggering production and kiln suspension to maintain a good environment for the market. Meanwhile, it optimized marketing strategies on an on-going basis, controlled clinker and stabilized high-end production sales. Leveraging its regional scale advantage, it utilized commercial concrete as the driving force to promote the sale of cement and construction aggregate and to stabilize market shares.

Through continued efforts in promoting deep management integration and various ways including delicacy management, “Five C”, “Four Reduction” and strict control over capital expenditure, China United achieved reduction in cost and enhancement of efficiency. It enhanced the management of the accounts receivable, continuously increased efforts in clearing and collecting accounts receivables. Inventory management was enhanced to reduce capital occupancy and to revitalize funds in reserve through “One Gaze, Two Controls, Three Reductions, Four Extensions (一盯二控三降四延)”. It continued to strengthen technological innovation to push forward energy conservation and emission reduction.

China United steadily pushed forward the construction of construction aggregate projects and extended the industrial chains. Through accelerating the pace of “Going Global”, a production line in Mongolia with a daily clinker production capacity of 2,500 tonnes was completed.



### ***South Cement***

Based around the “PCP” business ideology, South Cement comprehensively promoted market co-opetition, vigorously pushed forward kiln suspension and limited production and staggering production, and constantly optimized allocation of market resources. It strengthened the research and planning of regional market and enhanced the tracking, development and special evaluation of key projects in core market, so as to promote delicacy and precision of local market, vigorously explore key projects and markets and effectively raise selling price and market share.

South Cement comprehensively implemented the cost and expense saving plan to enhance cost management of all components including procurement, logistics and production and continued to consolidate fundamental competitiveness. “Three Formulations” was optimized and implemented to continuously promote the optimization of base level organization and capable personnel. Delicacy management was implemented to refine calculating units, conduct benchmark management and optimization and raise production and operational standards. The management of financial centralization was strengthened to improve financial delicacy. It continuously enhanced the structural optimization of commercial concrete business and the innovation of mechanism, as well as market development and cost control. Reform of three systems was promoted continually to enhance the competitiveness of the organization. South Cement continued to optimize the inventory management to improve the supply-demand link up and reduce capital occupancy.

The integration of mining resources and the development of construction aggregate bases were reinforced to uplift the enterprise’s competitiveness continuously.

### ***North Cement***

Facing severe slowdown of economic growth in the Northeast China, North Cement adhered to the “PCP” business ideology continually, strengthened regional market co-opetition and vigorously promoted staggering production to protect the steady operation of the regional market. It centralized the management and control of key project bidding, and sales through bidding saw significant increase.

North Cement continued to promote deep management integration to carry out “Three Formulations” comprehensively and implement reduction in personnel and enhancement of efficiency based on the targets set at the beginning of the year. It reduced production cost through benchmarking management model. Technological transformation was implemented to achieve cost reduction and efficiency increment. Costs and expenses were strictly controlled through delicacy management. The management of accounts receivable was further strengthened to continuously improve the development of sales and internal control systems.

North Cement continued to expand its industrial chain and to increase efforts in the integration of mine and clinker logistics.

## *Southwest Cement*

Firmly pressed ahead the “PCP” business ideology, Southwest Cement vigorously promoted kiln suspension, production limitation and staggering production. The adopted strategies were based on regional production and supply-demand conditions. In addition, the company strengthened high-level and delicate cooperation, actively explored and innovated ways of cooperation in order to facilitate the coordination and development of the regional market. Furthermore, Southwest Cement adjusted and optimized its marketing system to take the advantages of special cement, to link and organize the general cement and special cement marketing, to seize the key projects, to increase sales, and to stabilize market share.

The procurement system was optimized. Southwest Cement reduced the costs of raw materials and fuels through centralized procurement. Meanwhile, the enterprise cost was reduced as the result of the capacity and assets optimization. Southwest Cement promoted organizational optimization for subsidiaries on an all-round basis and formulated the standards for cement enterprises with single product line to improve productivity. With the comprehensive implementation of “Zero inventory”, inventory and accounts receivable were reduced gradually through adopting various measures to improve the efficiency in capital utilization.

Southwest Cement strengthened innovation and proactively developed the application of the HLMC technology to reduce production costs. The scope of use of special cement was continuously expanded to elevate the enterprise’s competitiveness.

## **LIGHTWEIGHT BUILDING MATERIALS SEGMENT**

### **Review of the Group’s lightweight building materials business in the first half of 2016**

BNBM optimized business operation, improved industrial layout and further strengthened and developed two traditional market areas, namely channel distribution and customer promotion. Meanwhile, it strengthened and expanded the household decoration, retail and innovative products markets comprehensively to achieve the steady growth of the sales of Dragon and Taishan gypsum board. BNBM’s thus gross profit margin continued to be excellent and its performance continued to improve.

BNBM vigorously promoted deep management integration, deeply adhered to the “PCP” business ideology and comprehensively enhanced benchmark management to further reduce production cost. The work of “Four Reduction” was comprehensively implemented to reduce expenses and consumption. The management of accounts receivable and inventory were enhanced to reduce capital occupancy.

It strived for technological innovation to successfully research and develop and promote the application of new technologies of “tough and lightweight board” and “low-density gypsum board”, which enhanced the competitiveness of the products.

## **GLASS FIBER AND COMPOSITE MATERIALS SEGMENTS**

### **Review of the Group’s composite materials business in the first half of 2016**

China Composites seized the opportunity of structural adjustment in the wind power industry, optimized its product structure and vigorously launched high-end products. The proportion of sales attributable to high-power blades continued to increase. It further deepened its cooperation with top clients, endeavored to develop international markets and strengthened and promoted its leading position in the industry. The European R&D center actively developed new products for low wind speed zones to seize the technological high ground.

China Composites continued to promote deep management integration and increase labor productivity through “6S” delicacy management. The management system for accounts receivable was enhanced and emphasis was placed on the management of accounts receivable.

### **Review of the Group’s glass fiber business in the first half of 2016**

China Jushi placed a focus on adjusting clientele structure and raising the proportions of high-end markets and high-end customers. It continued to optimize production structure, increase the proportion of high-end products, and elevate structure and quality of inventory. It continued to execute the “methods of increasing, saving and reducing” and improved the production efficiency through innovation of technology and delicacy management, so as to reduce cost, increase efficiency and continue to improve profitability.

China Jushi firmly implemented the “going out” strategy, and the production of Phase II of the glass fibre pool kiln wire drawing production line with an annual capacity of 80,000 tonnes in Egypt officially commenced. The construction of the glass fibre pool kiln wire drawing production line with an annual capacity of 80,000 tonnes in the United States is expected to commence by the end of the year, all products of which are expected to be supplied to the United States market. The operation of intelligent manufacturing base for glass fibre led the upgrade of the glass fibre industry.

## **ENGINEERING SERVICES SEGMENT**

### **Review of the Group's engineering services segment business in the first half of 2016**

Based on the “One Belt, One Road” strategy, China Triumph commenced international capacity cooperation to improve the abilities of enterprises to allocate cement, glass and photovoltaic resources globally. In respect of glass technology, China Triumph strived for “sophistication, power and optimization” (做精、做强、做優) and its ultra-thin glass technology received a high degree of recognition at the international exhibition, seizing the leading position in the industry for its performance in implementing the “going out” strategy. In respect of the cement engineering market, China Triumph strived to become stronger through optimizing its businesses, was recognized by foreign cement giants and achieved long-term overall profit was recorded for overseas EPC projects. In respect of the new energy engineering market, relying on successful experience in EPC projects and industrial chain synergy, China Triumph became a pioneer in international new energy EPC projects, integrated the competitive edges of design and manufacturing platform and one-stop photovoltaic resources, thereby making the Green Town being recognized in overseas markets such as Chile, U.K. and Spain.

China Triumph explored emerging industrial chains including “Made in China 2025” and “Internet +” in a bid to transform into a manufacturing services enterprise based on the “Three New” industries. Accelerating technological innovation, both its ultra-thin glass technology and the laboratory conversion efficiency of cadmium telluride solar battery of German CTF company broke world records.

### **OUTLOOK FOR THE SECOND HALF OF THE YEAR**

For the second half of the year, from the international perspective, the economy will not recover as expected, while from the domestic perspective, under the prolonged pain exerted by the “Three Period Superimposed”, the downward pressure will remain enormous. However, there are still positive factors and favorable conditions. Firstly, as the year-on-year GDP growth of 6.7% was recorded in the PRC in the first half of the year, which was within the target range as anticipated, in the second half of the year, the government continues to adhere to the general tone of making progress while maintaining stability, modestly expanding gross demand, resiliently pushing forward supply-side structural reform and facilitating the sustainable and healthy development of the national economy. Secondly, there is still potential market demand for cement with the coming traditional peak season in the second half of the year. In addition, the central government is still increasing its investment to drive reasonable demand. The building materials industry remains an industry supported by rigid demand and a long-term market. In light of the restriction of the creation of new capacity and the successive launches of major infrastructure projects, there are conditions favourable to the rise of cement price. Thirdly, with the stronger basis of self-discipline within the industry, the implementation of various provisions will be facilitated by the issue of the document numbered 2016 [No. 34] by the General Office of the State Council, which is expected to be favorable to the furthering of the healthy development of the

industry. Meanwhile, the Company's "Three New" businesses have solid foundations for development and will open up favorable opportunities to accelerate innovation and transformation.

The Group will continue to adhere to the five guiding principles for operation management of "quality and efficiency enhancement as well as transformation and upgrade", "preparation, meticulousness, refinement, solidity", "Four Execution & Four Control and Four Increase & Four Reduction", "price stabilization, cost reduction, receivables collection, inventory control and adjustment" and "prioritising effectiveness and efficiency", firmly push forward production and operation, carry out deep management integration and accelerate technological innovation, transformation and upgrade, intensify efforts in the reform and use best endeavours to fulfill all objectives and missions.

Adhering to the "PCP" business ideology continually, the cement segment of the Group will proactively participate in industry-wide self-discipline and market co-opetition, carry out staggering production and energy conservation and limited production to safeguard the healthy development of the market. It will continue to promote deep management integration, deepen its efforts on the "Four Reductions", streamline the management hierarchy and downsizing the organization, adhere to the principle of cost efficiency and implement delicacy management and lean production in order to reduce cost and increase efficiency. The management of accounts receivable is expected to be strengthened to improve the efficiency in capital utilization. It will adhere to the ideology of "zero inventory" and reduce capital occupancy. It is expected to speed up the extension of industrial chains, push forward the "Four Modernizations" of cement.

The Group will vigorously promote technological innovation, transformation and upgrade. It will speed up the development of the "Three New" industries, actively explore and carry out works in respect of "Internet + Dual Innovations + Made in China 2025", continue to strengthen and reinforce the profitability and market competitiveness of new materials including gypsum board, rotor blade, glass fiber and solar thin-film battery. The Group will seize the "One Belt, One Road" strategic opportunity and actively promote international capacity cooperation.

The Group will accelerate the reform of state-owned enterprises, progressively prioritize the establishment of the system of professional managers, proactively explore the mechanism of market-oriented remuneration allocation as well as incentives and constraints, and revitalize the enterprise. The Group will fully grasp the opportunities created by the reorganization of the parent company to elevate synergy and strive to improve quality and enhance efficiency.

## **INTERIM DIVIDEND**

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2016.

## **MATERIAL TRANSACTIONS**

### **FINANCE LEASE AGREEMENTS**

On 25 April 2016, 14 subsidiaries of the Company including Lincheng Zhonglian Fushi Cement Company Limited\* (the “Lessees”) entered into the Finance Lease Agreements with the Company and Industrial Bank Financial Leasing Co., Ltd (“IBFL”), respectively. Pursuant to the Finance Lease Agreements, (i) the Lessees will sell and IBFL will purchase the leased assets at an aggregate consideration of RMB3 billion; and (ii) the leased assets will be leased back to each relevant Lessee and the Company jointly for the lease period. The aggregate lease consideration under the Finance Lease Agreements payable by the Lessees and the Company comprises (i) the aggregate lease interest, being RMB136,297,083; and (ii) the aggregate lease principal, being RMB3 billion. Upon the expiry of the Lease Period and subject to payment in full of all amounts payable to IBFL under the Finance Lease Agreements, the Lessees and the Company will be entitled to acquire title to the leased assets from IBFL at no extra cost.

Details of the Finance Lease Agreements have been disclosed in the announcement issued by the Company on 25 April 2016.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES**

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company (“securities” shall have the meaning as defined in the Listing Rules).

### **CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2016, the Company complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules except for Code Provisions A.4.2. All the Directors of the third session of the Board last elected on 15 November 2011 were subject to retirement by rotation by 15 November 2014, according to Code Provision A.4.2 which states that every director should be subject to retirement by rotation at least once every three years. Certain former Directors of the third session of the Board retired in October 2014 and were replaced by new Directors. As this process involved the entire Board such that many factors had to be considered in ensuring the smooth continuation of the senior management of the Company, the Company had not completed the above process with regard to the rest of the third session of the Board in a timely manner. The Company has now completed the process of the re-election of the Board. The relevant resolutions for the re-election of the Board of the Company were considered and approved at the sixteenth meeting of the third session of the Board held on 25 March



2016. The resolutions for the re-election of the Board of the Company were considered and approved at the 2015 annual general meeting held on 27 May 2016. The term of the fourth session of the Board of the Company shall be three years, commencing from 27 May 2016.

## **SPECIAL COMMITTEES UNDER THE BOARD**

### **THE STRATEGIC STEERING COMMITTEE**

The Company has established a strategic steering committee which comprises three Directors, including two executive Directors and one independent non-executive Director. The strategic steering committee is responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisation development proposals, major investing and financing plans and other material matters that will affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investing plans under the authorisation of the Board; and making recommendations to the Board. During the Reporting Period, the strategic steering committee has reviewed the operation of the Company in 2015 and proposals relating to the working arrangement in 2016.

### **NOMINATION COMMITTEE**

The Company has established a nomination committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the nomination committee are in compliance with the provisions of the Code. The nomination committee is responsible for, among other things, directed by the Board diversity policy, the annual review of the structure, size and composition of the Board (in terms of techniques, knowledge and experience), providing recommendations to the Board in respect of any adjustments to be made in accordance with the Company's strategies and examining the selection criteria and procedures for, and reviewing the qualifications and conditions of Directors and senior management. During the Reporting Period, the nomination committee has reviewed the structure, size and composition of the Board and the special committees, diversity of the Board as well as the independence of the independent non-executive Directors.

### **REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE**

The Company has established a remuneration and performance appraisal committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the remuneration and performance appraisal committee are in compliance with the provisions of the Code. The remuneration and performance appraisal committee is responsible for recommending the specific remuneration and reviewing the performance of the Directors and senior management, based on the remuneration and performance appraisal management policies and framework pertaining to Directors and senior management which have been formulated by the Board. As of the date of this announcement, the remuneration and performance appraisal committee has reviewed

matters including the remuneration for senior management for 2015 etc., and agreed with the Management Measures of Remuneration of Headquarter of China National Building Material Company Limited and Management Measures of Treatment and Business Expenses of Persons in Charge of China National Building Material Company Limited

## **AUDIT COMMITTEE**

The Company has established the audit committee which comprises three Directors, including three independent non-executive Directors, one of whom possesses appropriate professional qualification and accounting and related financial management experience. The terms of reference adopted by the audit committee are in compliance with the provisions of the Code. The principal duties of the audit committee include reviewing the Company's external auditors and their work, the Company's financial reporting procedures, internal control and risk management, and formulating and reviewing the corporate governance policy and its practice and disclosure. As at the date of this announcement, the audit committee has reviewed the internal audit work in 2015, the working plan in 2016, the appointment of auditors in 2016, determination of the expense on audit in 2015, 2015 annual report and the 2016 interim report of the Company.

## **MODEL CODE**

The Company has adopted a set of code of practice on terms no less exacting than the standards required in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiries with all Directors of the Company, the Company confirms that all the Directors have complied with the required standards regarding securities transactions by Directors set out in the Model Code and Code for Securities Transactions of China National Building Material Company Limited during the Reporting Period.

## **DEFINITIONS**

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

|                    |  |
|--------------------|--|
| "BNBM"             | 北新集團建材股份有限公司(Beijing New Building Material Public Limited Company) |
| "Board"            | the board of directors of the Company                              |
| "China Composites" | 中國複合材料集團有限公司(China Composites Group Corporation Limited)           |
| "China Jushi"      | 中國巨石股份有限公司(China Jushi Co., Ltd.)                                  |



|                                  |   |
|----------------------------------|---|
| “China Triumph”                  | 中國建材國際工程集團有限公司(China Triumph International Engineering Company Limited)   |
| “China United”                   | 中國聯合水泥集團有限公司(China United Cement Corporation)   |
| “Company” or “CNBM”              | 中國建材股份有限公司(China National Building Material Company Limited)  |
| “Director(s)”                    | the director(s) of the Company  |
| “Domestic Shares”                | the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB  |
| “Eight Working Methods”          | “Five C”, KPI management, counselor system, benchmark management and optimization, “PCP”, core profit-generating regions, market competition and cooperation and zero inventory           |
| “Four Execution & Four Control”  | reform execution, innovation execution, marketing execution and management execution & expenditure control, gearing control, cost control and risk control                                |
| “Four Increase & Four Reduction” | sales volume increase, variety increase, price increase and profit increase & hierarchy reduction, organization reduction, excess staff reduction and vehicle reduction                   |
| “GDP”                            | gross domestic product  |
| “Group”, “we” and “us”           | the Company and, except where the context otherwise requires, all its subsidiaries  |
| “HLMC”                           | High performance low carbon micro-particulate clinker   |
| “H Share(s)”                     | the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK\$ |

|   |  |
|---|--|
| “HK\$”  | Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region  |
| “IFRS”  | International Financial Reporting Standards  |
| “KPI”   | Key performance index  |
| “Listing Rules”   | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as amended from time to time  |
| “methods of increasing, saving and reducing”                | increasing revenue, saving cost and reducing energy consumption  |
| “MIIT”  | 中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People’s Republic of China)   |
| “MEP”   | 中華人民共和國環境保護部 (Ministry of Environmental Protection of the People’s Republic of China)  |
| “NBS”   | 中國國家統計局(National Bureau of Statistics of China)  |
| “North Cement”  | 北方水泥有限公司 (North Cement Company Limited)  |
| “one gaze, two controls, three reductions, four extensions” | “one gaze” represents gazing tightly at the inventories of finished products and semi-finished products; “two controls” represents the adoption of “two control” principle of quality and price of raw materials and fuel; “three reductions” represents the reduction in procurement, consumption and backlog quantity in spare parts inventory; “four extensions” represents the extension of the useful life of equipment, the extension of the category of materials for zero inventory, the extension of alternative mixed materials and the extension of the time for settlement with supplier |
| “Parent”  | 中國建築材料集團有限公司 (China National Building Materials Group Corporation)   |

|   |  |
|---|--|
| “PCP”   | PCP, Price-Cost-Profit   |
| “PRC”   | the People’s Republic of China   |
| “preparation, meticulousness, refinement, solidity” | planning operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the market and own features; enhancing management, meticulous organisation and delicate management to improve quality and profitability; working solidly to enhance the basis for development and strengthen foundation |
| “Reporting Period”                                  | the period from 1 January 2016 to 30 June 2016   |
| “RMB” or “Renminbi”                                 | Renminbiyuan, the lawful currency of the PRC   |
| “Share(s)”  | ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares  |
| “Shareholder(s)”                                    | holder(s) of Share(s)  |
| “6S”  | seiri, seiton, seiso, seiketsu, shitsuke, security   |
| “Six-star Enterprise”                               | enterprise with desirable operating result, delicacy management, leading environmental protection, well-known brand, advanced simplicity, safety and stability   |
| “South Cement”                                      | 南方水泥有限公司(South Cement Company Limited)   |
| “Southwest Cement”                                  | 西南水泥有限公司(Southwest Cement Company Limited)   |
| “State”, “state” or “PRC Government”                | the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof   |

|                      |  |
|----------------------|--|
| “Three Formulations” | Formulation of functions, formulation of structure and formulation of staffing |
| “Three Systems”      | Labor system, personnel system and distribution system                         |
| “Two Amounts”        | The amount of account receivables and the inventory amount                     |

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

Beijing, the PRC  
26 August 2016

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

\* *For identification only*