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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Change
	RMB million	*RMB million*	*%*
	(Unaudited)	(Unaudited)	
Total operating revenue	**21,751.27**	23,091.22	(5.80)
Net profit	**428.13**	419.65	2.02
Net profit attributable to shareholders of the Company	**307.52**	444.82	(30.87)
Basic earnings per share (RMB)	**0.086**	0.125	(31.20)

INTERIM RESULTS

The board of directors (the **"Board"**) of China National Materials Company Limited (the **"Company"**) hereby announces the unaudited interim results of the Company and its subsidiaries (the **"Group"**) for the six months ended 30 June 2016 (the **"Reporting Period"**) prepared in accordance with the Accounting Standards for Business Enterprises of the PRC.

As the Company will prepare the financial statements merely in accordance with the Accounting Standards for Business Enterprises of the PRC from the year of 2016 on, the relevant financial data of the year of 2015 in this announcement have been presented in accordance with the Accounting Standards for Business Enterprises of the PRC.

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

Unit: RMB

Item	*Note*	**Six months ended 30 June 2016 (Unaudited)**	Six months ended 30 June 2015 (Unaudited)
I. Total operating revenue		**21,751,267,943.28**	23,091,216,587.18
Including: operating income	*4*	**21,751,267,943.28**	23,091,216,587.18
Interest income		**–**	–
Earned premium		**–**	–
Handling charges and commission income		**–**	–
II. Total operating cost		**21,389,549,357.68**	22,954,336,426.70
Including: operating cost	*4*	**17,523,672,514.23**	19,044,045,511.88
Interest expenditure		**–**	–
Handling charges and commission expenditure		**–**	–
Surrender value		**–**	–
Net compensation expenses		**–**	–
Net amount of provisions for insurance contract		**–**	–
Expenditures dividend policy		**–**	–
Reinsurance expenses		**–**	–
Business taxes and surcharges		**142,462,244.86**	139,301,146.00
Selling expenses		**922,633,718.98**	879,403,526.25
Administrative expenses		**1,861,264,422.12**	1,863,817,564.34
Financial expenses	*5*	**781,741,853.24**	920,381,323.05
Asset impairment losses		**157,774,604.25**	107,387,355.18
Add: incomes from changes in fair value (losses to be listed with "-")		**-9,199,940.32**	4,743,990.00
Investment incomes (losses to be listed with "-")		**34,037,274.24**	165,451,580.25
Including: income from investment in associates and joint ventures		**9,706,126.31**	16,182,236.09
Exchange income (loss to be listed with"-")		**–**	–

Item	Note	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
III. Operating profit (loss to be listed with "-")		**386,555,919.52**	307,075,730.73
Add: non-operating income		**311,550,804.81**	350,253,557.33
Including: gain from disposal of non-current assets		**51,274,971.69**	9,521,465.82
Less: non-operating expenses		**32,825,302.80**	28,416,052.22
Including: loss from disposal of non-current assets		**13,989,729.59**	4,867,442.33
IV. Total profit (total loss to be listed with "-")		**665,281,421.53**	628,913,235.84
Less: income tax expenses	*6*	**237,147,747.09**	209,261,886.36
V. Net profit (net loss to be listed with "-")		**428,133,674.44**	419,651,349.48
Net profit attributable to shareholders of the parent company		**307,521,904.27**	444,824,841.17
Minority interests		**120,611,770.17**	-25,173,491.69
VI. Net amount of other comprehensive income		**-400,645,965.70**	486,497,408.45
Other comprehensive income attributable to shareholders' of parent company (net of tax)		**-327,378,998.35**	366,667,976.09
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		**-749,065.08**	-1,453,428.93
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan		**-749,065.08**	-1,453,428.93
2. Shares of other comprehensive income that cannot be reclassified to profit or loss of the investee entities under the equity method		**–**	–
(II) Other comprehensive income that may be subsequently reclassified to profit or loss		**-326,629,933.27**	368,121,405.02
1. Shares of other comprehensive income that may be subsequently reclassified to profit or loss of the investee entities under the equity method		**-2,220,795.84**	–
2. Gains and losses arising from changes in fair value of available-for-sale financial assets		**-339,192,875.33**	392,353,311.53
3. Gains and losses arising from reclassifying held-to-maturity investment to available-for-sale financial assets		**–**	–
4. Effective portion of gains and losses arising from hedging instruments in a cash flow hedge		**–**	-83,374.93
5. Exchange differences on translation of foreign currency financial statements		**14,783,264.91**	-24,148,531.58
6. Others		**472.99**	–
Other comprehensive income attributable to minority interests (net of tax)		**-73,266,967.35**	119,829,432.36
VII. Total comprehensive income		**27,487,708.74**	906,148,757.93
Total comprehensive income attributable to the shareholders of parent company		**-19,857,094.08**	811,492,817.26
Total comprehensive income attributable to minority interests		**47,344,802.82**	94,655,940.67
VIII. Earnings per share:			
(I) Basic earnings per share		**0.086**	0.125
(II) Diluted earnings per share		**0.086**	0.125

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

Unit: RMB

Item	*Note*	**As at 30 June 2016 (Unaudited)**	As at 31 December 2015 (Audited)
Current assets:			
Monetary funds		**18,642,990,876.95**	15,059,508,463.86
Settlement reserve fund		**–**	–
Lending funds		**–**	–
Financial assets at fair value through profit or loss		**6,977,161.93**	18,417,367.12
Derivative financial assets		**–**	–
Bills receivable		**4,254,181,110.65**	4,141,302,237.29
Accounts receivable	*7*	**9,609,682,861.51**	9,249,803,070.72
Prepayments		**4,219,404,513.10**	4,498,868,368.53
Premiums receivable		**–**	–
Reinsurance accounts receivable		**–**	–
Reinsurance contract provision receivable		**–**	–
Interest receivable		**8,726,283.23**	41,308,381.85
Dividends receivable		**46,506,907.32**	39,557,042.70
Other receivables		**994,144,735.85**	910,092,488.22
Financial assets purchased under agreements to resell		**–**	–
Inventories		**9,505,169,318.39**	9,622,098,088.62
Assets classified as held for sale		**31,507,714.30**	43,565,713.65
Non-current assets due within one year		**35,988,996.69**	31,939,063.66
Other current assets		**655,161,507.92**	808,835,575.00
Total current assets		**48,010,441,987.84**	44,465,295,861.22

Item	*Note*	**As at 30 June 2016 (Unaudited)**	As at 31 December 2015 (Audited)
Non-current assets:			
Loans and advances offered		**–**	–
Available-for-sale financial assets		**2,524,966,314.11**	3,097,278,962.43
Held-to-maturity investments		**–**	–
Long-term receivables		**339,039,511.85**	332,014,376.92
Long-term equity investments		**227,728,451.11**	219,746,632.41
Investment properties		**314,675,430.59**	326,152,305.36
Fixed assets		**43,392,690,404.10**	43,717,983,089.36
Construction in progress		**2,340,038,438.26**	2,170,813,642.02
Construction materials		**1,913,300.75**	1,689,386.48
Disposal of fixed assets		**4,158,452.81**	4,151,014.00
Productive biological assets		**–**	–
Oil and gas assets		**–**	–
Intangible assets		**4,647,096,486.77**	4,727,606,894.76
Development expenditures		**47,883,673.69**	40,644,061.62
Goodwill		**1,662,245,710.14**	1,644,081,493.25
Long-term prepayments		**649,780,615.65**	688,757,725.59
Deferred income tax assets		**946,183,479.55**	940,993,259.15
Other non-current assets		**296,764,849.99**	240,747,491.15
Total non-current assets		**57,395,165,119.37**	58,152,660,334.50
Total assets		**105,405,607,107.21**	102,617,956,195.72

Item	Note	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Current liabilities:			
Short-term borrowings		**11,929,305,827.20**	12,308,967,318.68
Borrowings from the central bank		**–**	–
Deposit taking and interbank placements		**–**	–
Borrowing fund		**–**	–
Financial liabilities at fair value through profit or loss		**17,241,108.91**	9,142,168.24
Derivative financial liabilities		**–**	–
Bills payable		**4,561,176,826.32**	3,948,148,840.93
Accounts payable	*8*	**12,558,495,327.74**	12,755,448,214.94
Accounts received in advance		**9,607,226,497.64**	9,552,911,419.41
Financial assets sold under agreements to repurchase		**–**	–
Handling charges and commissions payable		**–**	–
Employee benefits payable		**551,601,638.29**	719,174,610.16
Taxes payable		**560,956,889.97**	641,110,984.05
Interest payable		**486,516,765.87**	287,570,906.66
Dividends payable	*9*	**306,113,347.40**	221,536,460.30
Other payables		**1,627,765,096.68**	1,421,633,625.40
Reinsurance accounts payable		**–**	–
Insurance contract provision		**–**	–
Receivings from vicariously traded securities		**–**	–
Receivings from vicariously sold securities		**–**	–
Liabilities classified as held for sale		**–**	–
Non-current liabilities due within one year		**6,166,181,939.44**	8,424,396,897.66
Other current liabilities		**8,299,086,546.72**	6,399,976,391.82
Total current liabilities		**56,671,667,812.18**	56,690,017,838.25
Non-current liabilities:			
Long-term borrowings		**6,579,155,032.01**	5,186,731,216.43
Bonds payable		**4,100,000,000.00**	4,100,000,000.00
Including: preferred shares		**–**	–
perpetual bond		**–**	–
Long-term payables		**916,575,684.58**	824,751,794.33
Long-term employee benefits payable		**282,476,052.02**	295,382,198.03
Special payables		**289,431,659.54**	287,557,761.08
Provisions		**206,384,532.77**	193,987,526.67
Deferred incomes		**854,914,155.65**	801,261,195.22
Deferred income tax liabilities		**731,533,892.64**	881,105,477.64
Other non-current liabilities		**–**	–
Total non-current liabilities		**13,960,471,009.21**	12,570,777,169.40
Total liabilities		**70,632,138,821.39**	69,260,795,007.65

Item	Note	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Shareholders' equity:			
Share capital	*10*	**3,571,464,000.00**	3,571,464,000.00
Other equity instruments		**–**	–
Including: preferred shares		**–**	–
Perpetual bond		**–**	–
Capital reserve		**5,565,753,455.52**	4,693,739,636.75
Less: treasury shares		**–**	–
Other comprehensive income		**1,037,760,145.19**	1,365,139,143.54
Special reserve		**237,565,646.35**	222,546,698.14
Surplus reserve		**135,391,961.13**	135,391,961.13
General risk provisions		**–**	–
Undistributed profits		**5,187,503,932.64**	4,988,475,948.37
Total equity attributable to the shareholders of parent company		**15,735,439,140.83**	14,976,757,387.93
Minority interests		**19,038,029,144.99**	18,380,403,800.14
Total shareholders' equity		**34,773,468,285.82**	33,357,161,188.07
Total liabilities and shareholders' equity		**105,405,607,107.21**	102,617,956,195.72

NOTES TO UNAUDITED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

(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. The address is No.11, Beishuncheng Street, Xizhimennei, Xicheng 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 the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. 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 in accordance with actually-occurring transactions and items, the Accounting Standards for Business Enterprise (herein after referred to as "ASBE") issued by the Ministry of Finance and other relevant regulations, based on the accounting policies and accounting estimates.

(2) Going concern

It is believed reasonable that the Group's financial statements have been prepared based on going concern for recent profit-making history and financial supports.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Declaration on Compliance with Accounting Standards for Business Enterprises

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

(2) Accounting period

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

(3) Business Cycle

The Group takes 12 months as a business cycle.

(4) Recording currency

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

Unless specially noted, among the following disclosed data in the financial statements, "beginning of the period" refers to 1 January 2016; "end of the period" refers to 30 June 2016; "current period" runs from 1 January 2016 to 30 June 2016; "previous period" runs from 1 January 2015 to 30 June 2015; and the monetary unit is RMB.

4. OPERATING REVENUE AND COST

Item	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Revenue	**Cost**	Revenue	Cost
Main operation	**21,625,314,481.08**	**17,431,536,075.28**	22,926,997,418.62	18,951,240,129.67
Other operation	**125,953,462.20**	**92,136,438.95**	164,219,168.56	92,805,382.21
Total	**21,751,267,943.28**	**17,523,672,514.23**	23,091,216,587.18	19,044,045,511.88

5. FINANCIAL EXPENSES

Item	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Interest expenditure	**855,883,348.29**	1,031,310,648.21
Including: interests of bank borrowings and other borrowings that must be repaid within 5 years	**855,883,348.29**	1,031,310,648.21
Less: interest income	**67,804,481.06**	92,726,197.39
Add: exchange loss (gain to be listed with "-")	**-55,593,550.23**	-65,761,031.30
Add: other expenditures	**49,256,536.24**	47,557,903.53
Total	**781,741,853.24**	920,381,323.05

6. INCOME TAX EXPENSES

Item	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Current income tax expense	**528,810,590.43**	191,909,287.08
Deferred income tax expense	**-291,662,843.34**	17,352,599.28
Total	**237,147,747.09**	209,261,886.36

7. ACCOUNTS RECEIVABLE

Aging analysis of accounts receivable calculated as per the invoice date are as follows:

Account age	As at 30 June 2016	As at 31 December 2015
Within 1 year	**7,252,036,502.83**	7,124,477,766.24
1-2 years	**1,929,266,762.94**	1,861,807,774.23
2-3 years	**876,599,140.72**	678,937,944.40
3-4 years	**351,159,082.30**	1,165,423,865.05
4-5 years	**980,444,655.44**	127,287,656.54
Over 5 years	**560,692,587.11**	509,288,803.56
Total original value	**11,950,198,731.34**	11,467,223,810.02
Less: provision for bad debt of accounts receivable	**2,340,515,869.83**	2,217,420,739.30
Total accounts receivable	**9,609,682,861.51**	9,249,803,070.72

8. ACCOUNTS PAYABLE

Account age	As at 30 June 2016	As at 31 December 2015
Within 1 year	**8,835,531,737.37**	8,292,693,901.96
1-2 years	**2,509,531,229.43**	3,698,136,293.45
2-3 years	**483,971,433.06**	500,627,327.10
Over 3 years	**729,460,927.88**	263,990,692.43
Total	**12,558,495,327.74**	12,755,448,214.94

9. DIVIDENDS PAYABLE

(1) Details

Item	As at 30 June 2016	As at 31 December 2015
Ordinary share dividend	**306,113,347.40**	221,536,460.30
Total	**306,113,347.40**	221,536,460.30

(2) Dividends distribution of the Company

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

10. SHARE CAPITAL

		Increase (+)/decrease (-) in current period					
Item	As at 31 December 2015	**Issue of new shares**	**Bonus issue**	**Shares converted from reserve**	**Others**	**Subtotal**	**As at 30 June 2016**
Total shares	3,571,464,000.00	–	–	–	–	–	**3,571,464,000.00**

11. 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 determine 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 period

Item	Cement equipment and engineering services (RMB10,000)	Cement (RMB10,000)	High-tech materials (RMB10,000)	Others (RMB10,000)	Offset amount (RMB10,000)	Total (RMB10,000)
Operating revenue	950,109.07	800,881.97	448,700.84	3,798.47	28,363.56	2,175,126.79
Including: external transaction revenue	928,491.47	799,866.29	446,769.03	–	–	2,175,126.79
Intra-segment transaction revenue	1,171.80	406.17	699.28	–	2,277.25	–
Inter-segment transaction revenue	20,445.80	609.51	1,232.53	3,798.47	26,086.31	–
Operating costs	814,105.16	632,994.12	332,239.46	–	26,971.49	1,752,367.25
Expenses for the period	76,434.02	176,601.88	88,430.31	18,896.26	3,798.47	356,564.00
Total profits	48,680.65	–7,925.42	34,970.18	79,622.41	88,819.68	66,528.14
Total assets	3,005,947.02	4,804,068.58	2,349,226.99	2,222,899.69	1,841,581.57	10,540,560.71
Total liabilities	2,200,331.74	2,722,305.43	1,434,728.01	963,765.82	257,917.12	7,063,213.88
Supplementary information						
Depreciation and amortization expenses	24,282.08	130,689.52	47,199.36	65.48	3,169.87	199,066.56
Capital expenditures	9,047.54	39,455.69	134,720.96	125.58	–234.63	183,584.40
Non-cash expenses excluding depreciation and amortization	–	–	–	–	–	–

12. 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 the six months ended 30 June 2016 are listed below:

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share (EPS) Basic EPS	Diluted EPS
Net profit attributable to shareholders of the parent company	2.028	0.086	0.086
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	1.294	0.055	0.055

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

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

Cement Equipment and Engineering Services

Industry Review

During the Reporting Period, the recovery of the international economy was weak. The major economies continued to recover at a slow pace and the growth rate of the emerging economies slowed down. The global economy faced more uncertainties. Although the investments in the cement industry remained low across the world, some regional markets showed active performance. With the continuous implementation of the strategy of "One Belt One Road", the pilot construction of transportation infrastructure will drive the market demand of cement industry in relevant countries and regions.

The domestic economy performed within a proper range with a sound structure. However, the problems arising from the adjustment of economic structure will emerge continuously. The growth rate of fixed asset investment will gradually slow down over time. The Company still faced great challenges in cutting overcapacity, with the industrial and regional differentiation aggravating. Owing to, among others, weak demand in cement industry and severe overcapacity, the fixed asset investment in the domestic cement industry witnessed six consecutive years of negative growth. The cement construction projects decreased significantly, resulting in increasingly fierce competition and descending profitability.

Business Review

Strengthening market expansion constantly to further consolidate leadership in market share

Addressing the unfavorable situation arising from the consecutive yearly decline of domestic cement construction market, the segment concentrated its advantageous resources and stepped up its effort to develop target markets, optimize overseas market layout, and continuously enhance the international influence of its brand. It consolidated its leading positions in, among others, Southeast Asia, Middle East and Africa, while adhering to the national strategies and centering on the establishment of business footholds in countries along the "One Belt One Road" routes and major regions with stable political and economic conditions, a sound legal system and great potentials of development. During the Reporting Period, the new order intake increased by 46.95% year-on-year to RMB18,793 million, of which the new order intake from overseas markets amounted to RMB15,210 million, representing a year-on-year increase of 64.44%. With further increased proportion of new order intake from overseas, the segment maintains the biggest international market share on the globe.

Accelerating the implementation of diversification strategy and exploring new business proactively

Centering on the development roadmap of "improving traditional industry, strengthening the industry of energy conservation and environmental protection, developing the limited and relevant diversified industries", the segment innovated its business models and actively developed new business in the fields of energy conservation and environmental protection and diversified engineering during the Reporting Period. As a result, the proportion of energy conservation and environmental protection and diversified engineering orders to new orders increased gradually.

Promoting refined management and enhancing profitability continuously

During the Reporting Period, the segment continued to strengthen the benchmarking management of EPC projects and further improved the benchmarking management system. So far, it has conducted benchmark on all EPC projects. The management standard and profitability of projects have been further enhanced through benchmarking. Moreover, the segment is actively promoting the establishment of concentrated procurement platform and the formulation of concentrated procurement implementation plan, the implementation of which will further reduce the costs of projects.

Cement

Industry Review

During the Reporting Period, the domestic economy performed within a proper range with a sound structure. However, the structural and cyclical contradictions intertwined and the economic downward pressure was not eased, resulting in a further slowdown of growth rate. The fixed asset investment in the cement industry has declined for six consecutive years, curbing the growth of capacity. Owing to, among others, the slow growth rate of fixed asset investment and severe overcapacity in the cement industry, the divergence between demand and supply in the cement market has not mitigated, resulting in increasingly intense competition and low cement price.

Business Review

Capitalizing on its advantages and achieving stable growth in sales volume of cement

During the Reporting Period, the segment capitalized on its brand strength and dominance in regional markets, closely monitored target markets and actively expanded marketing channels, thereby achieving stable growth in the sales volume of cement. During the Reporting Period, the sales volume of cement amounted to 33.45 million tonnes, representing a year-on-year increase of 7.61%.

Strengthening internal management to reduce product cost

During the Reporting Period, centering on cost control, the segment continuously reduced energy and materials consumption while firmly implementing concentrated procurement. By leveraging on the electronic procurement trading platform, it consolidated upstream and downstream resources of the supply chain to expand the scope of concentrated procurement continuously, thus reducing the production cost. The cost of sales for each tonne of cement recorded a decrease of nearly RMB23.

Carrying out energy conservation and emission reduction proactively to fulfill corporate social responsibility

During the Reporting Period, the segment reduced the energy consumption of products effectively via technical improvement and upgrading to the cement production lines. The consumption of standard coal for each tonne of clinker recorded a year-on-year decrease of 1.89 kilograms of standard coal/tonne; the power consumption for each tonne of cement recorded a year-on-year decrease of 4.21 Kwh/tonne.

High-Tech Materials

Industry Review

During the Reporting Period, the recovery of global economy was sluggish and the pressure of domestic economic downturn still persisted. The rush of installation in the wind power industry in 2015 overdrafted the market demands of 2016. It is expected that the wind power installation in 2016 will record a decrease of approximately 30% as compared with that of 2015. The overall market development of glass fiber industry was stable, and the foreign market supply and demand were balanced in general. The demand from industries including wind power yarn and electronic yarn decreased with the prices descending slightly due to the impacts of China's macroeconomic downturn. The continuous downward fluctuation of international oil price resulted in adverse impact on the gas cylinder industry. Although the demand for solar-energy fused silica crucibles increased, the domestic production capacity was large, leading to the overall market's continuing operation under oversupply condition with intense competition.

Business Review

Seizing market opportunities to boost product sales

The segment seized market opportunities to strengthen market expansion. During the Reporting Period, the sales volume of glass fiber and products, solar-energy fused silica crucibles and natural gas cylinders recorded year-on-year increase of 7.94%, 113.47% and 10.24% respectively.

Capitalizing on technical strengths to strengthen cost control and improve quality

The segment fully capitalized on its strengths in science and technology to improve refined management. It actively promoted technical innovation and optimized its production processes to enhance its automation standard, thereby reducing production cost and improving quality of products continuously and further enhancing labor productivity. During the Reporting Period, the average cost of sales of CNG gas cylinders and LNG gas cylinders decreased by 3.82% and 7.74% on a year-on-year basis, respectively. The labour productivity of the new production lines of Taishan Fiberglass Inc. (the "**CTG**") increased by 20% as compared with that of the original production lines, with the comprehensive energy consumption thereof recorded a reduction of 30%. The qualified rate of solar-energy fused silica crucibles increased significantly, with a year-on-year decrease of 23.8% in average cost of sales and a year-on-year increase of 18 percentage points in gross margin.

Financial Review

	Six months ended 30 June		
	2016	2015	Change
	RMB million	*RMB million*	%
	(Unaudited)	(Unaudited)	
Total operating revenue	**21,751.27**	23,091.22	(5.80)
Operating cost	**(17,523.67)**	(19,044.05)	(7.98)
Gross profit	**4,227.60**	4,047.17	4.46
Business taxes and surcharges	**(142.46)**	(139.30)	2.27
Selling expenses	**(922.63)**	(879.40)	4.92
Administrative expenses	**(1,861.27)**	(1,863.81)	(0.14)
Financial expenses	**(781.74)**	(920.38)	(15.06)
Asset impairment losses	**(157.78)**	(107.39)	46.92
(Losses) incomes from changes in fair value	**(9.20)**	4.74	–
Investment incomes	**34.04**	165.45	(79.43)
Operating profit	**386.56**	307.08	25.88
Non-operating income	**311.55**	350.25	(11.05)
Non-operating expenses	**(32.83)**	(28.42)	15.52
Total profits	**665.28**	628.91	5.78
Income tax expenses	**(237.15)**	(209.26)	13.33
Net profit	**428.13**	419.65	2.02
Net profit attributable to shareholders of the Company	**307.52**	444.82	(30.87)
Minority interests	**120.61**	(25.17)	–

Operating Results

Total profits of the Group for the six months ended 30 June 2016 was RMB665.28 million, representing an increase of 5.78% as compared with the corresponding period of last year. Net profit attributable to shareholders of the Company was RMB307.52 million, representing a decrease of 30.87% as compared with the corresponding period of last year. Earnings per share of the Company were RMB0.086.

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 the six months ended 30 June 2016 was RMB21,751.27 million, representing a decrease of 5.80% as compared with RMB23,091.22 million in the corresponding period of last year, mainly due to contracted business volume in the cement equipment and engineering services segment and sales volume of wind power fan blade, as well as reduction in the price of cement products. In particular, the total operating revenue of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment decreased by RMB883.03 million, RMB352.38 million and RMB151.20 million respectively.

Operating cost

Operating cost of the Group for the six months ended 30 June 2016 was RMB17,523.67 million, representing a decrease of 7.98% as compared with RMB19,044.05 million in the corresponding period of last year, mainly due to contracted business volume in the cement equipment and engineering services segment and sales volume of wind power fan blade, as well as reduction in the unit cost of cement products. In particular, the operating cost of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment deceased by RMB933.02 million, RMB517.90 million and RMB87.29 million respectively.

Gross profit and gross margin

Gross profit of the Group for the six months ended 30 June 2016 was RMB4,227.60 million, representing an increase of 4.46% as compared with RMB4,047.17 million in the corresponding period of last year. In particular, the gross profit of the cement equipment and engineering services segment and the cement segment increased by RMB49.99 million and RMB165.52 million respectively; while the gross profit of the high-tech materials segment decreased by RMB63.91 million. Gross margin was 19.44%, representing an increase of 1.91 percentage points as compared with 17.53% in the corresponding period of last year.

Business taxes and surcharges

Business taxes and surcharges of the Group for the six months ended 30 June 2016 was RMB142.46 million, representing an increase of 2.27% as compared with RMB139.30 million in the corresponding period of last year. In particular, the business taxes and surcharges of the cement equipment and engineering services segment and the cement segment increased by RMB0.65 million and RMB2.85 million respectively; while the business taxes and surcharges of the high-tech materials segment decreased by RMB1.59 million.

Selling expenses

Selling expenses of the Group for the six months ended 30 June 2016 was RMB922.63 million, representing an increase of 4.92% as compared with RMB879.40 million in the corresponding period of last year, mainly due to the change in calculation of the transportation fees of certain cement sales and the exclusion of Jiugang (Group) Hongda Building Materials Co., Ltd. ("**Jiugang Hongda**") from the scope of consolidation in the corresponding period of last year. In particular, the selling expenses of the cement equipment and engineering services segment and the cement segment increased by RMB9.17 million and RMB52.57 million respectively; while the selling expenses of the high-tech materials segment decreased by RMB18.51 million.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2016 was RMB1,861.27 million, representing a decrease of 0.14% as compared with RMB1,863.81 million in the corresponding period of last year. In particular, the administrative expenses of the cement equipment and engineering services segment and the cement segment decreased by RMB33.52 million and RMB58.89 million respectively; while the administrative expenses of the high-tech materials segment increased by RMB86.63 million.

Financial expenses

Financial expenses of the Group for the six months ended 30 June 2016 was RMB781.74 million, representing a decrease of 15.06% as compared with RMB920.38 million in the corresponding period of last year, mainly due to the reduction in the scale of debt financing and interest rate. In particular, the financial incomes of the cement equipment and engineering services segment decreased by RMB12.51 million; while the financial expenses of the cement segment and the high-tech materials segment decreased by RMB125.03 million and RMB31.16 million respectively.

Asset impairment losses

Asset impairment losses of the Group for the six months ended 30 June 2016 was RMB157.78 million, representing an increase of 46.92% as compared with RMB107.39 million in the corresponding period of last year, mainly due to the increase in provision for doubtful debts on the receivables of cement equipment and engineering services segment. In particular, the asset impairment losses of the cement equipment and engineering services segment and the high-tech materials segment increased by RMB52.03 million and RMB14.82 million respectively; while the asset impairment losses of the cement segment decreased by RMB16.57 million.

(Losses) incomes from changes in fair value

Losses from changes in fair value of the Group for the six months ended 30 June 2016 was RMB9.20 million, representing a decrease of RMB13.94 million as compared with the corresponding period of last year. The losses from changes in fair value were generated from the cement equipment and engineering services segment.

Investment incomes

Investment incomes of the Group for the six months ended 30 June 2016 was RMB34.04 million, representing a decrease of 79.43% as compared with RMB165.45 million in the corresponding period of last year, mainly due to profit generating from the disposal of certain available-for-sale financial assets by the Company in the corresponding period of last year. In particular, the investment incomes of the cement equipment and engineering services segment increased by RMB4.21 million; while the investment incomes of the cement segment and the high-tech materials segment decreased by RMB17.01 million and RMB1.67 million respectively.

Operating profit and operating profit margin

Operating profit of the Group for the six months ended 30 June 2016 was RMB386.56 million, representing an increase of 25.88% as compared with RMB307.08 million in the corresponding period of last year. Operating profit margin was 1.78%, representing an increase of 0.45 percentage point as compared with 1.33% in the corresponding period of last year.

Non-operating income

Non-operating income of the Group for the six months ended 30 June 2016 was RMB311.55 million, representing a decrease of 11.05% as compared with RMB350.25 million in the corresponding period of last year, mainly due to the reduction in tax refund resulting from the change in the value-added tax refund policy of cement products.

Non-operating expenses

Non-operating expenses of the Group for the six months ended 30 June 2016 was RMB32.83 million, representing an increase of 15.52% as compared with RMB28.42 million in the corresponding period of last year.

Total profits

Total profits of the Group for the six months ended 30 June 2016 was RMB665.28 million, representing an increase of 5.78% as compared with RMB628.91 million in the corresponding period of last year.

Income tax expenses

Income tax expenses of the Group for the six months ended 30 June 2016 was RMB237.15 million, representing an increase of 13.33% as compared with RMB209.26 million in the corresponding period of last year.

Net profit attributable to shareholders of the Company

Net profit attributable to shareholders of the Company for the six months ended 30 June 2016 was RMB307.52 million, representing a decrease of 30.87% as compared with RMB444.82 million in the corresponding period of last year, mainly due to the reduction in investment gains and sales volume of wind power fan blade.

Minority interests

Minority interests for the six months ended 30 June 2016 was RMB120.61 million, representing an increase of RMB145.78 million as compared with the corresponding period of last year, mainly due to the significant reduction in losses of the cement segment as compared with the corresponding period of last year.

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

	Six months ended 30 June		
	2016	2015	Change
	RMB million	*RMB million*	*%*
	(Unaudited)	(Unaudited)	
Total operating revenue	**9,489.37**	10,372.40	(8.51)
Operating cost	**(8,141.05)**	(9,074.07)	(10.28)
Gross profit	**1,348.32**	1,298.33	3.85
Business taxes and surcharges	**(51.08)**	(50.43)	1.29
Selling expenses	**(132.85)**	(123.68)	7.41
Administrative expenses	**(638.45)**	(671.97)	(4.99)
Financial incomes	**6.96**	19.47	(64.25)
Assets impairment loss	**(75.30)**	(23.27)	223.59
(Losses) incomes from changes in fair value	**(9.20)**	4.74	–
Investment incomes (losses)	**4.15**	(0.06)	–
Operating profit	**452.55**	453.13	(0.13)

Total operating revenue

Total operating revenue of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB9,489.37 million, representing a decrease of 8.51% as compared with RMB10,372.40 million in the corresponding period of last year, mainly due to contracted business volume.

Operating cost

Operating cost of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB8,141.05 million, representing a decrease of 10.28% as compared with RMB9,074.07 million in the corresponding period of last year, mainly due to contracted business volume.

Gross profit and gross margin

Gross profit of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB1,348.32 million, representing an increase of 3.85% as compared with RMB1,298.33 million in the corresponding period of last year. Gross margin was 14.21%, representing an increase of 1.69 percentage points as compared with 12.52% in the corresponding period of last year.

Business taxes and surcharges

Business taxes and surcharges of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB51.08 million, representing an increase of 1.29% as compared with RMB50.43 million in the corresponding period of last year.

Selling expenses

Selling expenses of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB132.85 million, representing an increase of 7.41% as compared with RMB123.68 million in the corresponding period of last year.

Administrative expenses

Administrative expenses of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB638.45 million, representing a decrease of 4.99% as compared with RMB671.97 million in the corresponding period of last year.

Financial incomes

Financial incomes of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB6.96 million, representing a decrease of 64.25% as compared with RMB19.47 million in the corresponding period of last year, mainly due to the decrease of gains resulting from change in exchange rate in the current period as compared with the corresponding period of last year.

Asset impairment losses

Asset impairment losses of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB75.30 million, representing an increase of 223.59% as compared with RMB23.27 million in the corresponding period of last year, mainly due to the increase in provision for doubtful debts on the receivables.

(Losses) incomes from changes in fair value

Losses from changes in fair value of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB9.20 million, representing a decrease of RMB13.94 million as compared with the corresponding period of last year.

Investment incomes (losses)

Investment incomes of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB4.15 million, representing an increase of RMB4.21 million as compared with the corresponding period of last year.

Operating profit

Based on the above, operating profit of the cement equipment and engineering services segment for the six months ended 30 June 2016 was RMB452.55 million, representing a decrease of 0.13% as compared with RMB453.13 million in the corresponding period of last year.

Cement

	Six months ended 30 June		
	2016	2015	Change
	RMB million	*RMB million*	%
	(Unaudited)	(Unaudited)	
Total operating revenue	**8,004.76**	8,357.14	(4.22)
Operating cost	**(6,329.94)**	(6,847.84)	(7.56)
Gross profit	**1,674.82**	1,509.30	10.97
Business taxes and surcharges	**(62.25)**	(59.40)	4.80
Selling expenses	**(570.22)**	(517.65)	10.16
Administrative expenses	**(723.43)**	(782.32)	(7.53)
Financial expenses	**(472.37)**	(597.40)	(20.93)
Asset impairment losses	**(46.01)**	(62.58)	(26.48)
Investment incomes	**13.43**	30.44	(55.88)
Operating losses	**(186.03)**	(479.61)	(61.21)

Total operating revenue

Total operating revenue of the cement segment for the six months ended 30 June 2016 was RMB8,004.76 million, representing a decrease of 4.22% as compared with RMB8,357.14 million in the corresponding period of last year, mainly due to the reduction in product price.

Operating cost

Operating cost of the cement segment for the six months ended 30 June 2016 was RMB6,329.94 million, representing a decrease of 7.56% as compared with RMB6,847.84 million in the corresponding period of last year, mainly due to the reduction in unit production cost of products.

Gross profit and gross margin

Gross profit of the cement segment for the six months ended 30 June 2016 was RMB1,674.82 million, representing an increase of 10.97% as compared with RMB1,509.30 million in the corresponding period of last year. Gross margin increased by 2.86 percentage points from 18.06% in the corresponding period of last year to 20.92%.

Business taxes and surcharges

Business taxes and surcharges of the cement segment for the six months ended 30 June 2016 was RMB62.25 million, representing an increase of 4.80% as compared with RMB59.40 million in the corresponding period of last year.

Selling expenses

Selling expenses of the cement segment for the six months ended 30 June 2016 was RMB570.22 million, representing an increase of 10.16% as compared with RMB517.65 million in the corresponding period of last year, mainly due to the change in calculation of the transportation fees of certain cement sales and the exclusion of Jiugang Hongda from the scope of consolidation in the corresponding period of last year.

Administrative expenses

Administrative expenses of the cement segment for the six months ended 30 June 2016 was RMB723.43 million, representing a decrease of 7.53% as compared with RMB782.32 million in the corresponding period of last year.

Financial expenses

Financial expenses of the cement segment for the six months ended 30 June 2016 was RMB472.37 million, representing a decrease of 20.93% as compared with RMB597.40 million in the corresponding period of last year, mainly due to the reduction in scale of debt financing and interest rate.

Asset impairment losses

Asset impairment losses of the cement segment for the six months ended 30 June 2016 was RMB46.01 million, representing a decrease of 26.48% as compared with RMB62.58 million in the corresponding period of last year, mainly due to the reduction in provision for doubtful debts on the receivables.

Investment incomes

Investment incomes of the cement segment for the six months ended 30 June 2016 was RMB13.43 million, representing a decrease of 55.88% as compared with RMB30.44 million in the corresponding period of last year, mainly due to the profit generating from the disposal of available-for-sale financial assets by Xinjiang Tianshan Cement Co., Ltd. ("**Tianshan Cement**") in the corresponding period of last year and the inclusion of Jiugang Hongda into the scope of consolidation in the current period.

Operating losses

Based on the above, operating losses of the cement segment for the six months ended 30 June 2016 was RMB186.03 million, representing a decrease of 61.21% as compared with RMB479.61 million in the corresponding period of last year.

High-tech Materials

	Six months ended 30 June		
	2016	2015	Change
	RMB million	*RMB million*	%
	(Unaudited)	(Unaudited)	
Total operating revenue	**4,480.02**	4,631.22	(3.26)
Operating cost	**(3,322.39)**	(3,409.68)	(2.56)
Gross profit	**1,157.63**	1,221.54	(5.23)
Business taxes and surcharges	**(27.89)**	(29.48)	(5.39)
Selling expenses	**(219.56)**	(238.07)	(7.78)
Administrative expenses	**(478.11)**	(391.48)	22.13
Financial expenses	**(186.63)**	(217.79)	(14.31)
Asset impairment losses	**(36.46)**	(21.64)	68.48
Investment incomes	**1.12**	2.79	(59.86)
Operating profit	**210.10**	325.87	(35.53)

Total operating revenue

Total operating revenue of the high-tech materials segment for the six months ended 30 June 2016 was RMB4,480.02 million, representing a decrease of 3.26% as compared with RMB4,631.22 million in the corresponding period of last year, mainly due to the reduction in sales volume of wind power fan blade as compared with the corresponding period of last year.

Operating cost

Operating cost of the high-tech materials segment for the six months ended 30 June 2016 was RMB3,322.39 million, representing a decrease of 2.56% as compared with RMB3,409.68 million in the corresponding period of last year, mainly due to the reduction in sales volume of wind power fan blade as compared with the corresponding period of last year.

Gross profit and gross margin

Gross profit of the high-tech materials segment for the six months ended 30 June 2016 was RMB1,157.63 million, representing a decrease of 5.23% as compared with RMB1,221.54 million in the corresponding period of last year. Gross margin decreased by 0.54 percentage point from 26.38% in the corresponding period of last year to 25.84%.

Business taxes and surcharges

Business taxes and surcharges of the high-tech materials segment for the six months ended 30 June 2016 was RMB27.89 million, representing a decrease of 5.39% as compared with RMB29.48 million in the corresponding period of last year.

Selling expenses

Selling expenses of the high-tech materials segment for the six months ended 30 June 2016 was RMB219.56 million, representing a decrease of 7.78% as compared with RMB238.07 million in the corresponding period of last year, mainly due to the reduction in sales volume of wind power fan blade as well as the decrease of transportation fee and provision for maintenance fee of products.

Administrative expenses

Administrative expenses of the high-tech materials segment for the six months ended 30 June 2016 was RMB478.11 million, representing an increase of 22.13% as compared with RMB391.48 million in the corresponding period of last year, mainly due to the increase of R&D expenses.

Financial expenses

Financial expenses of the high-tech materials segment for the six months ended 30 June 2016 was RMB186.63 million, representing a decrease of 14.31% as compared with RMB217.79 million in the corresponding period of last year, mainly due to the reduction in interest rate of debt financing.

Asset impairment losses

Asset impairment losses of the high-tech materials segment for the six months ended 30 June 2016 was RMB36.46 million, representing an increase of 68.48% as compared with RMB21.64 million in the corresponding period of last year, mainly due to the exclusion of Sinoma Jinjing Fiberglass Hong Kong Co., Limited from the scope of consolidation in the corresponding period of last year and the increase of provision for doubtful debts on the receivables.

Investment incomes

Investment incomes of the high-tech materials segment for the six months ended 30 June 2016 was RMB1.12 million, representing a decrease of 59.86% as compared with RMB2.79 million in the corresponding period of last year, mainly due to the recognition of investment gains from Sinoma Jinjing Fiberglass Hong Kong Co., Limited in the corresponding period of last year.

Operating profit

Based on the above, operating profit of the high-tech materials segment for the six months ended 30 June 2016 was RMB210.10 million, representing a decrease of 35.53% as compared with RMB325.87 million in the corresponding period of last year.

Liquidity and Capital Resources

Cash flows:

	Six months ended 30 June	
	2016	2015
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**2,052.84**	1,122.67
Net cash flows from investing activities	**(895.59)**	(770.59)
Net cash flows from financing activities	**2,289.36**	(622.51)
Cash and cash equivalents at the end of the period	**16,473.20**	9,858.17

Net cash flows from operating activities

Net cash flows from operating activities increased from RMB1,122.67 million in the corresponding period of last year to RMB2,052.84 million for the six months ended 30 June 2016, mainly due to the reduction in inventory in the current period and the greater increase in inventory in the corresponding period of last year.

Net cash flows from investing activities

Net cash flows from investing activities increased from RMB-770.59 million in the corresponding period of last year to RMB-895.59 million for the six months ended 30 June 2016, mainly due to the proceeds from disposals of available-for-sale financial assets in the corresponding period of last year.

Net cash flows from financing activities

Net cash flows from financing activities for the six months ended 30 June 2016 was RMB2,289.36 million as compared with RMB-622.51 million in the corresponding period of last year, mainly due to the cash received from the issue of shares by Sinoma Science & Technology Co., Ltd. ("**Sinoma Science & Technology**") and from the issue of super short-term commercial paper by the Company.

Working Capital

As at 30 June 2016, the Group's cash and cash equivalents amounted to RMB16,473.20 million (31 December 2015: RMB12,951.28 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 30 June 2016 was 84.72% (31 December 2015: 78.44%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including short-term borrowings, long-term borrowings, non-current borrowings due within one year (long-term borrowings due within one year and bonds payable and due within one year), other current liabilities (short-term financing bills, super short-term commercial paper), bonds payable (medium-term notes) as shown in the consolidated balance sheet) less monetary funds. As at 30 June 2016, the net debt ratio of the Group was 48.68% (31 December 2015: 60.17%).

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

Borrowings

As at 30 June 2016, the balance of the Group's borrowings amounted to RMB35,572.32 million.

	2016	2015
	30 June	31 December
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Short-term borrowings and long-term borrowings due within one year	**13,493.40**	14,936.62
Short-term financing bills (including super short-term commercial paper)	**6,900.00**	5,250.00
Long-term borrowings, net of portions due within one year	**6,579.16**	5,186.73
Corporate bonds	**2,499.76**	2,498.30
Medium-term notes	**6,100.00**	7,259.53
Total borrowings	**35,572.32**	35,131.18

Pledge of Assets

As at 30 June 2016 and 31 December 2015, the pledge of assets of the Group was as follows:

	2016	2015
	30 June	31 December
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Fixed assets	**2,833.55**	2,475.41
Intangible assets	**302.42**	421.62
Bills receivables	**698.54**	787.10
Accounts receivable	**410.80**	5.61
Other receivables	**–**	8.23
Long-term receivables	**4.06**	–
Total	**4,249.37**	3,697.97

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Material Investment

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

Material Acquisitions and Disposals of Assets

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

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

On 29 March 2016, Qinghai Qilianshan Cement Co., Ltd. ("**Qinghai Qilianshan**"), a subsidiary of the Company, and Qinghai Kunlunshan Mining Development Co., Ltd. ("**Kunlunshan Mining**"), a subsidiary of China National Materials Group Corporation Ltd. ("**Sinoma Group**"), entered into an equity transfer agreement, pursuant to which Qinghai Qilianshan agreed to acquire and Kunlunshan Mining agreed to transfer 20% equity interest in Qinghai Qicai Mining Co., Ltd., a subsidiary of the Company, with a consideration of RMB5.4308 million. For details, please refer to the announcements of the Company published on 29 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.

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

Save as disclosed above, during the Reporting Period, the Company did not conduct any other material acquisition or disposal of assets.

Market Risks

The Company is exposed to various types of market risks in the normal course of business, including contract risk, foreign exchange risk, interest rate risk and 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 businesses, with 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 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 capability of implementation of contracts. The Company cleared out the contracts at hand and has carried out risk prevention plans. For the projects under construction, the Company enhanced risk assessment of default in payment on project owners, paid close attention to the project owners' credit status, and conducted periodic settlement in time. For delay and suspension in the construction of the related projects, the Company actively communicated with the project owners to avoid losses. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign currency 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 mainly settled 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 working 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 assumes the risks arising from the fluctuations in the interest rate of the borrowings.

Raw materials and energy price risks

The Company mainly consumes raw materials and energy resources such as steel, coal, electricity and natural gas, the price fluctuation of which has a significant impact on the cost effectiveness of the Company.

PROSPECTS

The momentum of global and domestic economies in the first half of 2016 will extend into the second half of 2016. The production and operation environment of the Company will still be complicated and challenging. However, we believe that China's positive economic fundamentals and long-term trajectory remain unchanged. What also remain unchanged is the basic fact that China's economy possesses strong resilience, great potential and ample room for maneuver, as well as the strong support and conditions favorable for continuous economic growth, which offers a sound macro-environment for the reforms and development of the Company. The Company will increase its efforts on expanding market and reducing production cost, improve its capital efficiency, actively promote its innovation and synergistic creativity, speed up its footsteps of "Overseas Expansion", implement multiple measures and overcome difficulties so as to achieve stable growth of operating results, focusing on the supply-side structural reform as well as quality improvement and efficiency enhancement via healthy development.

Cement Equipment and Engineering Services

The segment will seize the opportunities of the implementation of "One Belt One Road" and "International Industrial Capacity Cooperation" by the nation. Exerting the strength of its brand, it will take initiatives to widen the overseas market. Centering on the development roadmap of "improving traditional industry, strengthening the industry of energy conservation and environmental protection, developing the limited and relevant diversified industries", the segment will innovate business models and make new breakthroughs. It will also improve its benchmarking management of EPC projects, strengthen its cost control, boost its meticulous management level and improve its profitability continuously.

Cement

The segment will actively eliminate backward production capacity, accelerate the technical reform and upgrade of the existing production lines, promote energy conservation and consumption reduction, and improve the quality and the competitiveness of its products. It will also further reinforce its internal management, cut cost and improve efficiency, so as to enhance its profitability continuously. In addition, the international industrial capacity cooperation will be initiated proactively by it, promoting the overseas layout of the cement business.

High-Tech Materials

Adopting a market-oriented approach, the segment will improve the quality of its products and increase the influence of its brand with the support of innovation. It will also actively make advantage of integrated resources and speed up the R&D and manufacturing of glass fiber and composite materials and the construction of application platform, thereby creating a complete industrial chain. Moreover, the segment will vigorously explore on the implementing approaches for "Overseas Expansion" to accelerate and facilitate the overseas investment.

EVENTS AFTER THE REPORTING PERIOD

Sinoma Group and China National Building Materials Group Corporation ("**CNBM Group**") are carrying out a reorganization. On 27 July 2016, the Securities and Futures Commission of Hong Kong, pursuant to Note 6(a)(i) to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, waived the obligation on the part of CNBM Group to make a mandatory general offer for the shares of the Company arising as a result of such reorganization. On 22 August 2016, the Company was notified by Sinoma Group that Sinoma Group received the "Notice regarding the Reorganization of China National Building Materials Group Corporation and China National Materials Group Corporation Ltd." issued by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC consenting to the implementation of such reorganization. For details, please refer to the announcements of the Company published on 25 January 2016, 27 July 2016 and 22 August 2016 on the websites of the Hong Kong Stock Exchange and the Company.

DIVIDEND

The Company has not proposed to declare or distribute any interim dividend for the six months ended 30 June 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 of the Company's securities.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company is committed to improve its corporate governance. During the six months ended 30 June 2016, the Company has fully complied with the "Corporate Governance Code" and "Corporate Governance Report" as set out in Appendix 14 of the Rules Governing the Listing of Securities (the **"Listing Rules"**) on the Hong Kong Stock Exchange, without any deviation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct prepared in accordance with the "Model Code for Securities Transactions by Directors of Listed Issuers" (the **"Model Code"**) as set out in Appendix 10 of the Listing Rules. The provisions of the code of conduct currently adopted by the Company are no less exacting than the required standards set out in the Model Code. The Company, having made specific enquiries of all its directors and supervisors, confirms that the directors and supervisors of the Company have strictly complied with the Model Code for the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company has established the audit committee of the Board (the **"Audit Committee"**) in accordance with the requirements of the Listing Rules. The Audit Committee is responsible for proposing to the Board regarding the appointment, re-appointment and removal of external independent auditors, as well as monitoring their work. During the Reporting Period, the Audit Committee consists of two independent non-executive directors and one non-executive director, namely Mr. Lu Zhengfei (the chairman of the Audit Committee, with professional qualification and experience in finance), Mr. Wang Shimin and Mr. Yu Shiliang, respectively. On 29 July 2016, Mr. Lu Zhengfei (as an independent non-executive director) was appointed as the chairman of the Audit Committee, and Mr. Li Xinhua (as a non-executive director) and Mr. Wang Zhulin (as an independent non-executive director) were appointed as members of the Audit Committee. Mr. Wang Shimin and Mr. Yu Shiliang ceased to be members of the Audit Committee. On 24 August 2016, the Audit Committee reviewed the interim financial report of the Company for the six months ended 30 June 2016 and made a resolution on the same.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND REPORT

This results announcement will be published on the Company's website (www.sinoma-ltd.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk). The 2016 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the websites of the Company and the Hong Kong Stock Exchange in due course.

By Order of the Board
CHINA NATIONAL MATERIALS COMPANY LIMITED
Liu Zhijiang
Chairman of the Board

Beijing, the PRC
26 August 2016

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.

Please also refer to the published version of this announcement on the Company's website.