CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2016

Interim Report 中期報告

* For identification only

Financial and Business Highlights

	As at 30 June 2016	As at 31 December 2015	Growth rate
	(RMB in millions)		
Bank balances and cash	**14,871**	10,580	40.6%
Total assets	**346,956**	329,788	5.2%
Equity attributable to equity holders of the Company	**41,409**	41,898	-1.2%

	For the six months ended 30 June		
	2016	2015	Growth rate
	(RMB in millions)		
Revenue	**44,104**	48,339	-8.8%
Profit after taxation	**699**	1,567	-55.4%
Profit attributable to equity holders of the Company	**110**	792	-86.1%
Net cash flows from operating activities	**2,488**	3,693	-32.6%
Sales volume of cement and clinker *(in thousand tonnes)*	**136,465**	132,052	3.3%
– China United	**32,372**	29,035	11.5%
– South Cement	**53,471**	54,009	-1.0%
– North Cement	**8,307**	7,534	10.3%
– Southwest Cement	**41,460**	40,829	1.5%
Commercial concrete sales volume *(in thousand m^3)*	**34,966**	33,560	4.2%
– China United	**14,401**	12,811	12.4%
– South Cement	**18,533**	18,609	-0.4%
– North Cement	**896**	1,071	-16.3%
– Southwest Cement	**623**	484	28.7%
Gypsum board *(in million m^2)*	**724**	660	9.7%
Revenue from engineering service *(RMB in millions)*	**3,668**	3,120	17.6%
Rotor blade *(in blade)*	**1,668**	2,868	-41.8%
Glass fiber yarn *(in thousand tonnes)*	**561**	532	5.5%
Unit selling price			
Cement sold by China United *(RMB per tonne)*	**181.2**	208.0	-12.9%
Clinker sold by China United *(RMB per tonne)*	**142.7**	185.8	-23.2%
Commercial concrete sold by China United *(RMB per m^3)*	**262.0**	282.6	-7.3%
Cement sold by South Cement *(RMB per tonne)*	**183.7**	219.5	-16.3%
Clinker sold by South Cement *(RMB per tonne)*	**144.0**	182.5	-21.1%
Commercial concrete sold by South Cement *(RMB per m^3)*	**287.9**	336.1	-14.3%
Cement sold by North Cement *(RMB per tonne)*	**252.5**	288.3	-12.4%
Clinker sold by North Cement *(RMB per tonne)*	**195.0**	217.1	-10.2%
Commercial concrete sold by North Cement *(RMB per m^3)*	**292.7**	318.8	-8.2%
Cement sold by Southwest Cement *(RMB per tonne)*	**211.1**	229.2	-7.9%
Clinker sold by Southwest Cement *(RMB per tonne)*	**188.8**	193.1	-2.2%
Commercial concrete sold by Southwest Cement *(RMB per m^3)*	**260.1**	280.8	-7.4%
Gypsum board			
– BNBM *(RMB per m^2)*	**5.94**	6.47	-8.2%
– Taishan Gypsum *(RMB per m^2)*	**3.88**	4.46	-13.0%
Rotor blade *(RMB per blade)*	**446,300**	371,215	20.2%

CNBM

Contents

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

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

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

Corporate Information

DIRECTORS:

Executive Directors

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

Non-executive Directors

Guo Chaomin
Chen Yongxin
Tao Zheng

Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Qian Fengsheng
Xia Xue

STRATEGIC STEERING COMMITTEE

Song Zhiping *(Chairman)*
Cao Jianglin
Zhou Fangsheng

NOMINATION COMMITTEE

Sun Yanjun *(Chairman)*
Liu Jianwen
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Zhou Fangsheng *(Chairman)*
Sun Yanjun
Song Zhiping

AUDIT COMMITTEE

Qian Fengsheng *(Chairman)*
Liu Jianwen
Xia Xue

SUPERVISORS:

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

Secretary of the Board:	Chang Zhangli
Joint Company Secretaries:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorised Representatives:	Song Zhiping Chang Zhangli
Alternate Authorised Representative:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Qualified Accountant:	Pei Hongyan (FCCA)
Registered Address:	Tower 2 (Building B), Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Principal Place of Business:	21st Floor Tower 2, Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC

Corporate Information *(Continued)*

Postal Code:	100036
Place of Representative Office in Hong Kong:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers:	Agricultural Bank of China Limited Bank of Communications Co., Ltd. China Construction Bank Corporation
PRC Legal Adviser:	Jingtian and Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District, Beijing The PRC
Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
International Auditor:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong
Domestic Auditor:	Baker Tilly China Certified Public Accountants Building 12, Foreign Culture and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Stock Code:	3323
Company Websites:	http://cnbm.wsfg.hk www.cnbmltd.com

Definitions

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

"Baishan Cement"	金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.
"BNBM Green Residence"	北新綠色住宅有限公司 (Beijing New Building Material Green Residence Company Limited)
"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)
"BNBM Taicang"	太倉北新建材有限公司 (BNBM Taicang Company Limited)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"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)

Definitions *(Continued)*

"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Holdings"	中國建材控股有限公司 (CNBM Holdings Company Limited)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd.)
"CNBM Trading"	中建材集團進出口公司 (China National Building Materials & Equipment Import & Export Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Dequan Wangqing"	吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co., Ltd.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement DezhouDaba Co., Ltd.)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"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

"EPC"	turn-key project services that include design, procurement and construction
"Environmental Protection Research Institute"	江蘇中建材環保研究院有限公司 (Jiangsu CNBM Environmental Protection Research Institute Company Limited)
"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
"Guang An BNBM"	廣安北新建材有限公司 (Guang An BNBM Building Material Company Limited)
"Guangxi South Cement"	廣西南方水泥有限公司 (Guangxi South Cement Company Limited)
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
"HLMC"	High performance low carbon micro-particulate clinker
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hubei BNBM"	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)

"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IFRS"	International Financial Reporting Standards
"Jetion Solar"	中建材浚鑫科技股份有限公司 (Jetion Solar (China) Co., Ltd.)
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"methods of increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"MEP"	中華人民共和國環境保護部 (Ministry of Environmental Protection of the People's Republic of China)
"MIIT"	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"NBS"	中國國家統計局 (National Bureau of Statistics of China)

"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, meticulosity, refinement, solidity"	planning operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the market and own features; enhancing management, meticulous organisation and delicate management to improve quality and profitability; working solidly to enhance the basis for development and strengthen foundation
"Promoters"	the promoters of the Company, namely the Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2016 to 30 June 2016
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares

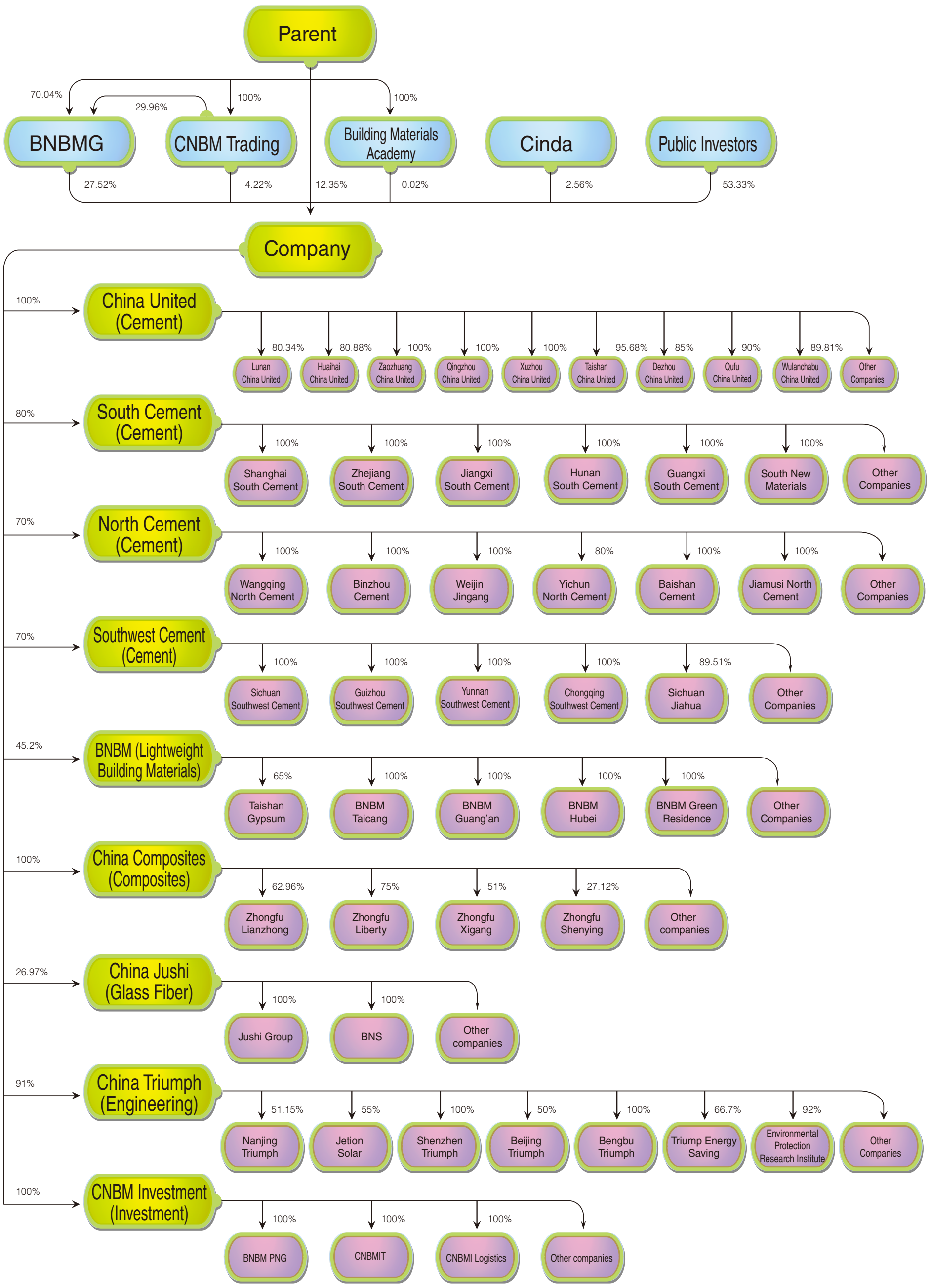
Definitions *(Continued)*

"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Jiahua"	四川嘉華企業(集團)股份有限公司 (Sichuan Jiahua Enterprise (Group)Co., Ltd.)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"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)
"South New Materials"	南方新材料科技有限公司 (South New Materials Technology Company Limited)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State", "state" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the members of the supervisory committee of the Company
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Three Formulations"	Formulation of functions, formulation of structure and formulation of staffing
"Three systems"	Labor system, personnel system and distribution system
"Triumph Energy Saving"	上海凱盛節能工程技術有限公司 (Shanghai Triumph Energy Saving Engineering Technology Company Limited)

"Two Amounts"	The amount of account receivables and the inventory amount
"Wangqing North Cement"	汪清北方水泥有限公司 (Wangqing North Cement Company Limited)
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan WeijinJingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Liberty"	常州中複麗寶第複合材料有限公司 (Changzhou China Composites Liberty Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限公司 (Zhongfu Shenying Carbon Fiber Company Limited)
"Zhongfu Xigang"	威海中複西港船艇有限公司 (Weihai Zhongfu Xigang Ship Co., Ltd.)
"Zizhong Southwest"	四川資中西南水泥有限公司 (Sichuan Zizhong Southwest Cement Company Limited)

Shareholding Structure of the Group

The simplified structure of the Group as at 30 June 2016 is set out as below:



Notes:

The aforementioned percentages are rounded to 2 decimal places.

The sum of the percentages of the holdings may differ from the total amount thereof due to rounding.

The Parent has increased its shareholding in the Company's 8.536 million H shares in August 2015, accounting for 0.16% of the total share capital.

Financial Highlights

The summary of financial results of the Group for the six months ended 30 June 2016 and 30 June 2015 is as follows:

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	(RMB in thousands)	
Revenue	**44,103,725**	48,339,127
Gross profit	**11,289,514**	11,888,516
Profit after taxation	**698,563**	1,567,224
Profit attributable to equity holders of the Company	**109,813**	791,604
Distribution made to the equity holders of the Company	**199,764**	890,839
Earnings per share – basic *(RMB)*(1)	**0.020**	0.147

Notes:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2015 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2016.

	As at	As at
	30 June 2016	31 December 2015
	(unaudited)	(audited)
	(RMB in thousands)	
Total assets	**346,956,173**	329,787,934
Total liabilities	**273,708,044**	256,326,657
Net assets	**73,248,129**	73,461,277
Non-controlling interests	**21,586,215**	21,567,939
Equity attributable to equity holders	**41,408,801**	41,898,475
Net assets per share – weighted average *(RMB)*(1)	**7.67**	7.76
Debt to assets ratio(2)	**53.6%**	53.0%
Net debt ratio(3)	**233.6%**	223.7%

Note:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2015 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2016.

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

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

Business Highlights

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 *(in thousand tonnes)*	**25,890**	21,920
Production volume – clinker *(in thousand tonnes)*	**24,450**	23,680
Sales volume – cement *(in thousand tonnes)*	**23,821**	19,853
Sales volume – clinker *(in thousand tonnes)*	**8,551**	9,182
Unit selling price – cement *(RMB per tonne)*	**181.2**	208.0
Unit selling price – clinker *(RMB per tonne)*	**142.7**	185.8
Commercial concrete sales volume *(in thousand m^3)*	**14,401**	12,811
Unit selling price-commercial concrete *(RMB per m^3)*	**262.0**	282.6

South Cement

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

CEMENT SEGMENT *(CONTINUED)*

North Cement

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

Southwest Cement

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

Business Highlights *(Continued)*

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

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

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

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

The Group is mainly engaged in cement, lightweight building materials, glass fiber, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity as at 30 June 2016), the Group is:

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

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 coopetition 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, meticulosity, 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 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.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

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 coopetition ; firmly implemented kiln suspension, limited production, staggering production in accordance with the principle of "simplified organization and capable personnel", carried out "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.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(CONTINUED)*

China United

Insisting on the business ideology of "PCP", China United deepened the market coopetition 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 coopetition , 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 competiveness."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.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(CONTINUED)*

North Cement

Facing severe slowdown of economic growth in the Northeast China, North Cement adhered to the “PCP” business ideology continually, strengthened regional market coopetition 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 coopetition, actively explored and innovated ways of coopetition 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.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

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.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

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 optimized 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 fibreled the upgrade of the glass fibre industry.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

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 which 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.

OUTLOOK FOR THE SECOND HALF OF THE YEAR *(CONTINUED)*

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, meticulosity, 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 coopetition, 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 downsize 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 raise capital efficiency. 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 establish 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 strize to improve quality and enhance efficiency.

FINANCIAL REVIEW

The unaudited revenue of the Group decreased by 8.8% from RMB48,339.1 million for the six months ended 30 June 2015 to RMB44,103.7 million for the six months ended 30 June 2016. Unaudited profit attributable to equity holders decreased by 86.1% from RMB791.6 million for the six months ended 30 June 2015 to RMB109.8 million for the six months ended 30 June 2016.

REVENUE

Our revenue for the six months ended 30 June 2016 amounted to RMB44,103.7 million, representing a decrease of 8.8% from RMB48,339.1 million for the six months ended 30 June 2015. This was primarily due to the fact that the revenue of South Cement decreased by RMB2,987.1 million, the revenue of Southwest Cement decreased by RMB554.6 million, the revenue of glass fiber and composite materials segment decreased by RMB518.0 million, the revenue of North Cement decreased by RMB174.8 million, the revenue of China United decreased by RMB147.8 million, partially offset by an increase of RMB548.5 million in the revenue of the engineering services segment and an increase of RMB26.9 million in the revenue of the lightweight building materials segment.

FINANCIAL REVIEW *(CONTINUED)*

COST OF SALES

Our cost of sales for the six months ended 30 June 2016 amounted to RMB32,814.2 million, representing a decrease of 10.0% from RMB36,450.6 million for the six months ended 30 June 2015. This was primarily due to the fact that the cost of sales of South Cement decreased by RMB2,394.5 million, the cost of sales of the glass fiber and composite materials segment decreased by RMB403.8 million, the cost of sales of Southwest Cement decreased by RMB355.3 million, the cost of sales of the lightweight building materials segment decreased by RMB209.9 million, the cost of sales of China United decreased by RMB182.9 million and cost of sales of North Cement decreased by RMB125.0 million, partially offset by an increase of RMB395.6 million in cost of sales of the engineering services segment.

OTHER INCOME

Other income of the Group decreased by 69.1% to RMB1,141.3 million for the six months ended 30 June 2016 from RMB3,694.1 million for the six months ended 30 June 2015. This was primarily due to the decrease in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss from RMB1,429.0 million for the six months ended 30 June 2015 to RMB-429.9 million for the six months ended 30 June 2016.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by 1.1% to RMB3,130.6 million for the six months ended 30 June 2016 from RMB3,165.1 million for the six months ended 30 June 2015. This was primarily due to a decrease of RMB25.6 million in labour costs.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 12.5% to RMB4,124.9 million for the six months ended 30 June 2016 from RMB4,711.6 million for the six months ended 30 June 2015. This was primarily due to the decrease of RMB116.5 million in labour costs, the increase of RMB61.2 million in the exchange gain, the decrease of RMB43.9 million in the loss from disposal of non-current assets, the decrease of RMB37.7 million in the trademark royalty, the decrease of RMB24.5 million in the office expense and the decrease of RMB21.4 in the transportation costs.

FINANCE COSTS

Finance costs decreased by 21.0% to RMB4,147.9 million for the six months ended 30 June 2016 from RMB5,251.9 million for the six months ended 30 June 2015, due to the decrease in the average interest rates in borrowings of the Group.

SHARE OF PROFIT OF ASSOCIATES

The Group's share of profit of associates increased by 149.2% to RMB238.5 million for the six months ended 30 June 2016 from RMB95.7 million for the six months ended 30 June 2015, primarily due to an increase in profits of China Jushi, our associated company.

FINANCIAL REVIEW *(CONTINUED)*

INCOME TAX EXPENSE

Income tax expense decreased by 42.3% to RMB567.3 million for the six months ended 30 June 2016 from RMB982.4 million for the six months ended 30 June 2015, primarily due to the decrease in profit before taxation.

NON-CONTROLLING INTERESTS

Non-controlling interests decreased by 47.8% to RMB330.5 million for the six months ended 30 June 2016 from RMB633.3 million for the six months ended 30 June 2015. This was primarily due to the decrease in operating profit in the cement segment and glass fiber and composite materials segment of the Group.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company decreased by 86.1% to RMB109.8 million for the six months ended 30 June 2016 from RMB791.6 million for the six months ended 30 June 2015. Net profit margin decreased to 0.2% for the six months ended 30 June 2016 from 1.6% for the six months ended 30 June 2015.

CHINA UNITED

Revenue

Revenue of China United decreased by 1.6% to RMB9,308.0 million for the six months ended 30 June 2016 from RMB9,455.8 million for the six months ended 30 June 2015, mainly attributable to the decrease in the average selling price of cement products and commercial concrete, partially offset by the increase in sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of China United decreased by 2.5% to RMB7,225.4 million for the six months ended 30 June 2016 from RMB7,408.2 million for the six months ended 30 June 2015, mainly attributable to the decrease in the coal prices, partially offset by the increase in sales volume of cement products and commercial concrete.

Gross profit and gross profit margin

Gross profit of China United increased by 1.7% to RMB2,082.6 million for the six months ended 30 June 2016 from RMB2,047.6 million for the six months ended 30 June 2015. Gross profit margin of China United increased from 21.7% for the six months ended 30 June 2015 to 22.4% for the six months ended 30 June 2016. The increase in gross profit margin was mainly due to the decrease in the coal prices, partially offset by the decrease in the average selling price of cement products and commercial concrete.

FINANCIAL REVIEW *(CONTINUED)*

CHINA UNITED *(CONTINUED)*

Operating profit

Operating profit of China United decreased by 31.7% to RMB1,062.9 million for the six months ended 30 June 2016 from RMB1,556.9 million for the six months ended 30 June 2015. Operating profit margin of China United decreased from 16.5% for the six months ended 30 June 2015 to 11.4% for the six months ended 30 June 2016. The decrease in operating profit margin was primarily due to the decrease in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss, the refund of value-added tax and the grants from the government, partially offset by the increase in gross profit margin.

SOUTH CEMENT

Revenue

Revenue of South Cement decreased by 16.9% to RMB14,679.4 million for the six months ended 30 June 2016 from RMB17,666.5 million for the six months ended 30 June 2015, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the decrease in the sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of South Cement decreased by 17.8% to RMB11,072.5 million for the six months ended 30 June 2016 from RMB13,466.9 million for the six months ended 30 June 2015, mainly attributable to the decrease in the sales volume of cement products and commercial concrete and the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit of South Cement decreased by 14.1% to RMB3,607.0 million for the six months ended 30 June 2016 from RMB4,199.6 million for the six months ended 30 June 2015. Gross profit margin of South Cement increased from 23.8% for the six months ended 30 June 2015 to 24.6% for the six months ended 30 June 2016. This was mainly attributable to the decrease in the coal prices, partially offset by the decrease in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of South Cement decreased by 29.0% to RMB1,593.3 million for the six months ended 30 June 2016 from RMB2,244.5 million for the six months ended 30 June 2015. Operating profit margin for the South Cement decreased from 12.7% for the six months ended 30 June 2015 to 10.9% for the six months ended 30 June 2016. This was primarily due to the increase in the packaging fees and transportation costs, partially offset by the increase in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

NORTH CEMENT

Revenue

Revenue of North Cement decreased by 7.1% to RMB2,286.2 million for the six months ended 30 June 2016 from RMB2,460.9 million for the six months ended 30 June 2015, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the decrease in the sales volume of the commercial concrete, partially offset by the increase in the sales volume of cement products.

Cost of sales

Cost of sales of North Cement decreased by 7.0% to RMB1,653.7 million for the six months ended 30 June 2016 from RMB1,778.7 million for the six months ended 30 June 2015, mainly attributable to the decrease in the sales volume of commercial concrete and the decrease in the coal prices, partially offset by the increase in the sales volume of cement products.

Gross profit and gross profit margin

Gross profit of North Cement decreased by 7.3% to RMB632.4 million for the six months ended 30 June 2016 from RMB682.2 million for the six months ended 30 June 2015. Both gross profit margin of North Cement for the six months ended 30 June 2015 and for the six months ended 30 June 2016 amounted to 27.7%, mainly attributable to the decrease in the average selling price of cement products and commercial concrete, offset by the decrease in the coal prices.

Operating profit

Operating profit of North Cement decreased to RMB-190.2 million for the six months ended 30 June 2016 from RMB962.6 million for the six months ended 30 June 2015. Operating profit margin of North Cement decreased from 39.1% for the six months ended 30 June 2015 to -8.3% for the six months ended 30 June 2016, primarily due to the decrease in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss.

SOUTHWEST CEMENT

Revenue

Revenue of Southwest Cement decreased by 5.8% to RMB8,891.8 million for the six months ended 30 June 2016 from RMB9,436.4 million for the six months ended 30 June 2015, mainly attributable to the decrease in the average selling price of cement products and commercial concrete, partially offset by the increase in the sales volume of cement products and commercial concrete.

FINANCIAL REVIEW *(CONTINUED)*

SOUTHWEST CEMENT *(CONTINUED)*

Cost of sales

Cost of sales of Southwest Cement decreased by 5.3% to RMB6,319.5 million for the six months ended 30 June 2016 from RMB6,674.8 million for the six months ended 30 June 2015, mainly attributable to the decrease in the coal prices, partially offset by the increase in the sales volume of cement products and commercial concrete.

Gross profit and gross profit margin

Gross profit of Southwest Cement decreased by 6.9% to RMB2,572.3 million for the six months ended 30 June 2016 from RMB2,761.6 million for the six months ended 30 June 2015. Gross profit margin of Southwest Cement decreased from 29.3% for the six months ended 30 June 2015 to 28.9% for the six months ended 30 June 2016, mainly attributable to the decrease in the average selling price of cement products and commercial concrete, partially offset by the decrease in the coal prices.

Operating profit

Operating profit of Southwest Cement decreased by 9.8% to RMB1,411.4 million for the six months ended 30 June 2016 from RMB1,564.7 million for the six months ended 30 June 2015. Operating profit margin of the Southwest Cement decreased from 16.6% for the six months ended 30 June 2015 to 15.9% for the six months ended 30 June 2016, primarily due to the decrease in the gross profit margin and the increase in the packaging fees and transportation costs.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Revenue

Revenue from the lightweight building materials segment increased by 0.8% to RMB3,420.0 million for the six months ended 30 June 2016 from RMB3,393.0 million for the six months ended 30 June 2015. This was mainly attributable to the increase in the sales volume of gypsum boards, our main product, partially offset by the decrease in the selling price of gypsum boards.

Cost of sales

Cost of sales for the lightweight building materials segment decreased by 8.1% to RMB2,369.2 million for the six months ended 30 June 2016 from RMB2,579.1 million for the six months ended 30 June 2015. This was mainly due to the decrease in the coal prices, partially offset by the increase in the sales volume of gypsum boards, our main product.

FINANCIAL REVIEW *(CONTINUED)*

LIGHTWEIGHT BUILDING MATERIALS SEGMENT *(CONTINUED)*

Gross profit and gross profit margin

Gross profit from the lightweight building materials segment increased by 29.1% to RMB1,050.8 million for the six months ended 30 June 2016 from RMB813.9 million for the six months ended 30 June 2015. Gross profit margin of the lightweight building material segment increased to 30.7% for the six months ended 30 June 2016 from 24.0% for the six months ended 30 June 2015, mainly attributable to the decrease in the coal prices, partially offset by the decrease in the prices of gypsum boards.

Operating profit

Operating profit from the lightweight building materials segment increased by 10.1% to RMB750.2 million for the six months ended 30 June 2016 from RMB681.5 million for the six months ended 30 June 2015. Operating profit margin of the segment increased from 20.1% for the six months ended 30 June 2015 to 21.9% for the six months ended 30 June 2016, mainly attributable to the increase in gross profit margin partially offset by the decrease in VAT refunds and the increase of leasing expenses and research and development expenses.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

Revenue

Revenue from the glass fiber and composite materials segment decreased by 34.4% to RMB986.2 million for the six months ended 30 June 2016 from RMB1,504.2 million for the six months ended 30 June 2015, mainly attributable to the decrease in sales of rotor blades, partially offset by the increase in the average selling price of rotor blades.

Cost of sales

The cost of sales for the glass fiber and composite materials segment decreased by 35.5% to RMB734.2 million for the six months ended 30 June 2016 from RMB1,138.0 million for the six months ended 30 June 2015, mainly attributable to the decrease in sales of rotor blades.

Gross profit and gross profit margin

Gross profit from the glass fiber and composite materials segment decreased by 31.2% to RMB252.0 million for the six months ended 30 June 2016 from RMB366.2 million for the six months ended 30 June 2015. Gross profit margin of the glass fiber and composite materials segment increased to 25.6% for the six months ended 30 June 2016 from 24.3% for the six months ended 30 June 2015. The increase in gross profit margin was mainly attributable to the increase in the gross profit margin of FRP pipes and tanks.

FINANCIAL REVIEW *(CONTINUED)*

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT *(CONTINUED)*

Operating profit

Operating profit from the glass fiber and composite materials segment decreased by 53.4% to RMB92.3 million for the six months ended 30 June 2016 from RMB197.9 million for the six months ended 30 June 2015. The operating profit margin of the segment decreased to 9.4% for the six months ended 30 June 2016 from 13.2% for the six months ended 30 June 2015. The decrease in operating profit margin was mainly attributable to the increase in the research and development expenses in the period, partially offset by the increase in the gross profit margin.

ENGINEERING SERVICES SEGMENT

Revenue

Revenue from the engineering services segment increased by 17.6% to RMB3,668.1 million for the six months ended 30 June 2016 from RMB3,119.6 million for the six months ended 30 June 2015, mainly attributable to the increase in completed construction services in the period.

Cost of sales

Cost of sales for the engineering services segment increased by 16.9% to RMB2,732.8 million for the six months ended 30 June 2016 from RMB2,337.2 million for the six months ended 30 June 2015, mainly attributable to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit from the engineering services segment increased by 19.5% to RMB935.3 million for the six months ended 30 June 2016 from RMB782.4 million for the six months ended 30 June 2015. The gross profit margin of the engineering and service segment increased to 25.5% for the six months ended 30 June 2016 from 25.1% for the six months ended 30 June 2015, mainly attributable to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit from the engineering services segment increased by 21.9% to RMB518.8 million for the six months ended 30 June 2016 from RMB425.8 million for the six months ended 30 June 2015. Operating profit margin of this segment increased to 14.1% for the six months ended 30 June 2016 from 13.6% for the six months ended 30 June 2015, mainly attributable to the increase in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had unused banking facilities and bonds, which were registered but not yet issued, of approximately RMB123,679.8 million in total.

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

	As at 30 June 2016	As at 31 December 2015
	(RMB in millions)	
Bank loans	**184,696.0**	173,833.8
Other borrowings from non-financial institutions	**1,269.1**	1,093.0
Total	**185,965.1**	174,926.8

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

	As at 30 June 2016	As at 31 December 2015
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**148,158.0**	144,395.6
Between one and two years	**15,863.9**	15,987.0
Between two and three years	**16,354.2**	11,652.4
Between three and five years (inclusive of both years)	**5,097.1**	1,732.2
Over five years	**491.9**	1,159.6
Total	**185,965.1**	174,926.8

As at 30 June 2016, bank loans in the total amount of RMB5,362.9 million were secured by assets of the Group with a total carrying value of RMB17,449.8 million.

As at 30 June 2016 and 31 December 2015, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 53.6% and 53.0%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

EXCHANGE RISKS

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

CONTINGENT LIABILITIES

No contingent liabilities were incurred resulting from the Group's provision of guarantee to banks in respect of bank credits used by an Independent Third Party.

CAPITAL COMMITMENTS

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

	30 June 2016	31 December 2015
	(RMB in million)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided)	**6.3**	9.9

FINANCIAL REVIEW *(CONTINUED)*

CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the six months ended 30 June 2016 by segment:

	For the six months ended 30 June 2016	
	(RMB in millions)	*% of the total*
Cement	**4,585.8**	**75.5**
Including: China United	**1,511.6**	**24.9**
South Cement	**1,427.5**	**23.5**
North Cement	**173.1**	**2.9**
Southwest Cement	**1,468.9**	**24.2**
Commercial concrete	**224.2**	**3.7**
Including: China United	**106.9**	**1.8**
South Cement	**106.4**	**1.8**
North Cement	**10.6**	**0.2**
Southwest Cement	**0.2**	**0.004**
Lightweight building materials	**353.3**	**5.8**
Glass fiber and composite materials	**149.4**	**2.5**
Engineering services	**527.6**	**8.7**
Others	**233.2**	**3.8**
Total	**6,073.5**	**100.0**

CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 30 June 2016, the net cash inflow generated from operating activities of the Group was RMB2,487.7 million. Such net cash inflow was mainly attributable to RMB9,677.1 million of cash flow from operating activities before the change in working capital and the increase of RMB8,290.2 million in trade and other payables, partially offset mainly attributable to the increase in RMB12,966.5 million in trade and other receivables.

CASH FLOW FROM INVESTING ACTIVITIES

For the six months ended 30 June 2016, the net cash outflow generated from investing activities of the Group was RMB4,427.1 million, mainly attributable to an expenditure for payment for deposits paid of RMB3,624.1 million, the purchase of property, plant and equipment amounting to RMB3,855.7 million.

CASH FLOW FROM FINANCING ACTIVITIES

For the six months ended 30 June 2016, the net cash inflow generated from financing activities of the Group amounting to RMB6,243.5 million, mainly attributable to a total of RMB105,766.2 million in new borrowings, partially offset by RMB94,243.6 million for repayment of borrowings.

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

At the annual general meeting of the Company held on 27 May 2016, the Company declared a final dividend of RMB199,763,971.69 in total (pre-tax) for the period from 1 January 2015 to 31 December 2015 for the Shareholders whose names appeared on the register of members of the Company on 7 June 2016, representing RMB0.037 per share (pre-tax).

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.

CONNECTED TRANSACTIONS

Partially Exempted Continuing Connected Transactions

Particulars of connected transactions are set out in Note 26 to the interim financial statements. The Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. For details of such continuing connected transactions and relevant exemptions, please refer to the Company's announcement on continuing connected transactions dated 27 December 2013 and the Company's 2013 annual report, 2014 interim report and annual report, and 2015 interim report and annual report.

CONNECTED TRANSACTIONS (CONTINUED)

Transactions with Parent Group

For the six months ended 30 June 2016, the Group's income from its supply of products and services to the Parent Group amounted to approximately RMB269.9 million, representing approximately 0.61% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from the Parent Group amounted to RMB151.0 million, representing approximately 0.46% of its total cost of sales for the same period.

Master Agreement on Sale of Products between North Cement and Jingang Group

As Jingang Group holds a 21.25% voting equity interest in North Cement, and North Cement is a subsidiary of the Company, Jingang Group is a connected person of the Company pursuant to the Listing Rules.

For the six months ended 30 June 2016, the Group's income from its supply of products (including ultra-finepowder/slag, clinker and cement) to Jingang Group and its subsidiaries amounted to approximately RMB0.86 million, representing approximately 0.0019% of the total revenue of the Group for the same period.

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 report, the remuneration and performance appraisal committee has reviewed 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.

SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

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 report, 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.

INTERNAL CONTROL

In order to properly master its strategic direction, refine its daily management and tighten the control over risk exposures, the Company has devoted continuous effort to build up structural risk management system and further refined and regulated the internal control. In the ordinary course of business management, each department performs internal control function by setting up review procedures at the forefront, with compliance support provided by specialized departments (e.g. the legal department, etc.), so as to identify, validate, manage and report risks, thereby achieving a comprehensive risk control process; while in the course of making major strategic decisions, the Board strives to achieve effective risk assessment realising a balance between risks and returns through the improvement of a series of internal management systems and determination of strategic plan in compliance with laws and regulations, and includes the implementation of specific decisions within the scope of its long-term supervision and feedback, so as to enhance the quality and efficiency of such decisions in the long term. The Audit Committee under the Board will assess and regulate the internal control system of the Company on a regular basis to ensure the sustainable, healthy and rapid development of the Company.

In accordance with code provision C.2.1 under the Code, the Directors have also reviewed the effectiveness of the internal control system of the Company and its subsidiaries, which covered financial control, operation control,compliance control and risk management function control.

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.

SHARE CAPITAL STRUCTURE

	As at 30 June 2016	
	Number of shares	Percentage of issued share capital
Domestic Shares	**2,519,854,366**	**46.67%**
H Shares	**2,879,171,896**	**53.33%**
Total share capital	**5,399,026,262**	**100%**

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).

MATERIAL LITIGATION AND ARBITRATION

For the six months ended 30 June 2016, save for the gypsum board litigation in the United States (the "US") as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor were any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement of the Company dated 30 May 2010 in respect of an announcement released by BNBM, relating to the gypsum board incident in the US and the information on subsequent development of the gypsum board litigation in the US set out in the announcements dated 18 July 2014, 20 August 2014, 13 February 2015, and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third–quarterly report and the 2015 annual report of the Company. The Company was notified by the Parent that an order has been made by the Federal District Court of the Eastern District of Louisiana, the United States on 9 March 2016 (US time) to dismiss the lawsuit filed by the plaintiff against the Parent.

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

IMMATERIAL LITIGATION

In respect of immaterial litigation, references are made to the information on subsequent development set out in the voluntary announcement dated 29 January 2015, 2015 interim report and the 2015 annual report of the Company in relation to the court proceedings against Sichuan Zizhong Dongfanghong Cement Company Limited ("Dongfanghong"), Zizhong Southwest, Southwest Cement and (in respect of some of the cases) the Company filed by certain creditors of Dongfanghong.

Regarding the re-trial application in respect of a case submitted by Zizhong Southwest and Southwest Cement to the Supreme People's Court of PRC, Southwest Cement and Zizhong Southwest had received a judgement from the Supreme People's Court of PRC in July 2016, holding that Southwest Cement, Zizhong Southwest and Dongfanghong did not constitute confusion of corporate personalities, and accordingly Southwest Cement and Zizhong Southwest shall not be held jointly and severally liable for the repayment of the external debts of Dongfanghong. Zizhong Southwest and Southwest Cement have tendered an application for the reversal of judicial execution based on the judgement above. Other relevant courts may subsequently deliver a series of judgements holding that Zizhong Southwest and Southwest Cement shall not be held jointly and severally liable for the relevant debts of Dongfanghong pursuant to the judgement of the Supreme People's Court of PRC. Zizhong Southwest and Southwest Cement will apply for the reversal of judicial executions in accordance with such judgements. The Company will continue to monitor the progress of the proceedings and will make further announcements if and when necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had approximately 132,308 employees.

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

SHARE APPRECIATION RIGHTS PLAN

In order to provide additional incentives to the Group's senior management and to enhance the alignment between the performance of the Group's senior management and shareholders' value, on 28 February 2006, the Company adopted a long-term incentive plan of share appreciation rights for the Group's senior management officers, senior experts and specialist who make important contributions to the Group.

Under the plan, share appreciation rights ("SA Rights") represent the rights to receive a cash payment equal to the appreciation, if any, in the fair market value of an H Share from the date of the grant of the rights to the date of exercise.

SHARE APPRECIATION RIGHTS PLAN *(CONTINUED)*

SA Rights will be granted in units with each unit representing one H Share. All SA Rights will have an exercise period of six years from the date of grant. An individual may not exercise his or her SA Rights during the first two years after the date of grant. After two and three years of the date of grant, the total number of SA Rights exercised by an individual shall not in aggregate exceed one-third and two-thirds, respectively, of the total SA Rights granted to the individual. After four years of the date of grant, the SA Rights will be fully vested.

The SA Rights vest at different amounts until the grantee has completed a specified period of service.

During the Reporting Period, there were no outstanding SA Rights and no SA Rights were granted.

According to Guo Zi Fa Fen Pei [2006] No. 8, "Trial Method for Share Incentive Scheme of State-controlled Listed Company (Overseas)", the compensation should not exceed 40% of personal total salary and bonus.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Mr. Cao Jianglin, the President and executive Director of the Company, ceased to be a director of China United from 25 March 2016, the chairman of Southwest Cement and a director of China Composites from 28 March 2016 and a director of China Triumph from 19 April 2016.

Mr. Chang Zhangli, an executive Director of the Company, has been serving as the chairman of Southwest Cement from 1 April 2016.

Mr. Chen Yongxin, a non-executive Director of the Company, has been serving as the vice chairman of CNBM Investment from 29 April 2016.

Ms. Zhou Guoping, a supervisor of the Company, ceased to be a supervisor of South Cement from 10 June 2016.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS)

I. Substantial shareholders and persons who have an interest or short position disclosable under Divisions 2 and 3 of Part XV of the SFO

So far as was known to the Directors or the Supervisors, as at 30 June 2016, the Shareholders (other than the Directors, the chief executive or the Supervisors) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending Pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital *(%)*[1, 6]	Percentage of total share capital *(%)*[1, 6]
Parent	Domestic Shares	Long	Beneficial owner	666,962,522			
	Domestic Shares	Long	Interest of a controlled corporation	1,714,459,536			
				2,381,422,058	2, 3	94.50	44.10
	H Shares	Long	Beneficial owner	8,536,000		0.29	0.15
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956	2	58.95	27.52
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	9.04	4.22
Cinda	Domestic Shares	Long	Beneficial owner	138,432,308	3	5.49	2.56
JPMorgan Chase & Co.	H Shares	Long	Beneficial owner	107,253,705			
	H Shares	Long	Investment manager	478,000			
	H Shares	Long	Custodian	77,268,240			
				184,999,945	4	6.42	3.42
	H Shares	Short	Beneficial owner	4,562,504	4	0.15	0.08
	H Shares	Lending Pool	–	77,268,240	4	2.68	1.43
BlackRock, Inc.	H Shares	Long	Interest of a controlled corporation	171,553,670	5	5.96	3.17
	H Shares	Short	Interest of a controlled corporation	26,690,000	5	0.93	0.49

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS) *(CONTINUED)*

I. Substantial shareholders and persons who have an interest or short position disclosable under Divisions 2 and 3 of Part XV of the SFO *(Continued)*

Notes:

1. As at 30 June 2016, the Company's total issued share capital comprises 5,399,026,262 shares, including 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

2. Of these 2,381,422,058 shares, 666,962,522 shares are directly held by the Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

3. Pursuant to a share transfer agreement dated 31 December 2009 entered into between the Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to the Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between the Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to the Parent ("Second Transfer of Shares"). As the proposal in relation to bonus issue of shares on the basis of ten bonus shares for every ten shares held by shareholders of the Company was passed at the 2010 annual general meeting of the Company, the Parent and Cinda entered into a supplemental agreement to the aforesaid two share transfer agreements on 31 August 2012, whereby Cinda agreed to adjust the 61,800,137 Domestic Shares of the Company transferred to the Parent to 123,600,274 Domestic Shares. Consequently, under the SFO, the Parent was deemed to own 2,505,022,332 Domestic Shares (representing 99.41% in the domestic share capital and 46.39% in the total share capital) and Cinda was deemed to own 14,832,034 Domestic Shares (representing 0.58% in the domestic share capital and 0.27% in the total share capital). As at the date of this report, the formalities in respect of the share transfer registration of the aforementioned transactions of shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS) *(CONTINUED)*

I. Substantial shareholders and persons who have an interest or short position disclosable under Divisions 2 and 3 of Part XV of the SFO *(Continued)*

Notes: *(Continued)*

4. JPMorgan Chase & Co. was deemed to hold interests in a total of 184,999,945 H Shares (long position) and 4,562,504 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

4.1. J.P. Morgan Securities LLC held 6,137,626 H Shares (long position) and 4,504 H Shares (short position) in the Company. J.P. Morgan Securities LLC was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.2. J.P. Morgan Clearing Corp held 31,000 H Shares (long position) in the Company. J.P. Morgan Clearing Corp was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.3. J.P. Morgan Investment Management Inc. held 104,000 H Shares (long position) in the Company. J.P. Morgan Investment Management Inc. was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.4. J.P. Morgan Whitefriars Inc. held 57,293,065 H Shares (long position) and 2,054,000 H Shares (short position) in the Company. J.P. Morgan Whitefriars Inc. was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.5. J.P. Morgan Securities plc held 43,792,014 H Shares (long position) and 2,504,000 H Shares (short position) in the Company. J.P. Morgan Securities plc was owned as to 0.59% by J.P. Morgan Capital Financing Limited, which in turn was a wholly-owned subsidiary of JPMorgan Chase & Co., and 99.41% by J.P. Morgan Chase International Holdings, which in turn was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.6. JPMorgan Chase Bank, N.A. held 77,268,240 H Shares (long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co..

4.7. JPMorgan Asset Management (UK) Limited held 374,000 H Shares (long position) in the Company. JPMorgan Asset Management (UK) Limited was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS) *(CONTINUED)*

I. Substantial shareholders and persons who have an interest or short position disclosable under Divisions 2 and 3 of Part XV of the SFO *(Continued)*

Notes: *(Continued)*

4. The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 77,268,240 H Shares. Besides, 1,255,626 H Shares (long position) and 4,562,504 H Shares (short position) were held through derivatives as follows:

748,000 H Shares (long position) and 2,504,000 H Shares (short position)	–	through physically settled derivatives (on exchange)
1,332,000 H Shares (short position)	–	through cash settled derivatives (on exchange)
507,626 H Shares (long position) and 726,504 H Shares (short position)	–	through physically settled derivatives (off exchange)

5. BlackRock, Inc. was deemed to hold interests in a total of 171,553,670 H Shares (long position) and 26,690,000 H Shares (short position) in the Company by virtue of its control over the following indirect wholly-owned subsidiaries, which held direct interests in the Company:

    5.1. BlackRock Investment Management, LLC held 1,182,536 H Shares (long position) in the Company.

    5.2. BlackRock Financial Management, Inc. held 302,000 H Shares (long position) in the Company.

    5.3. BlackRock Institutional Trust Company, National Association held 38,013,279 H Shares (long position) and 24,546,000 H Shares (short position) in the Company.

    5.4. BlackRock Fund Advisors held 34,282,000 H Shares (long position) in the Company.

    5.5. BlackRock Advisors, LLC held 10,000 H Shares (long position) and 1,576,000 H Shares (short position) in the Company.

    5.6. BlackRock Japan Co., Ltd. held 3,110,000 H Shares (long position) in the Company.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS) *(CONTINUED)*

I. Substantial shareholders and persons who have an interest or short position disclosable under Divisions 2 and 3 of Part XV of the SFO *(Continued)*

Notes: *(Continued)*

5. BlackRock, Inc. was deemed to hold interests in a total of 171,553,670 H Shares (long position) and 26,690,000 H Shares (short position) in the Company by virtue of its control over the following indirect wholly-owned subsidiaries, which held direct interests in the Company: *(Continued)*

   5.7. BlackRock Asset Management Canada Limited held 702,000 H Shares (long position) in the Company.

   5.8. BlackRock Investment Management (Australia) Limited held 576,000 H Shares (long position) in the Company.

   5.9. BlackRock Asset Management North Asia Limited held 1,392,545 H Shares (long position) in the Company.

   5.10. BlackRock (Netherlands) B.V. held 464,000 H Shares (long position) in the Company.

   5.11. BlackRock Advisors (UK) Limited held 53,622,096 H Shares (long position) in the Company.

   5.12. BlackRock International Limited held 1,272,000 H Shares (long position) in the Company.

   5.13. BlackRock Asset Management Ireland Limited held 17,223,327 H Shares (long position) in the Company.

   5.14. BLACKROCK (Luxembourg) S.A. held 426,000 H Shares (long position) and 568,000 H Shares (short position) in the Company.

   5.15. BlackRock Investment Management (UK) Limited held 17,459,401 H Shares (long position) in the Company.

   5.16. BlackRock Fund Managers Limited held 1,108,486 H Shares (long position) in the Company.

   5.17. BlackRock Life Limited held 394,000 H Shares (long position) in the Company.

   5.18. BlackRock Asset Management (Schweiz) AG held 14,000 H Shares (long position) in the Company.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS) *(CONTINUED)*

I. Substantial shareholders and persons who have an interest or short position disclosable under Divisions 2 and 3 of Part XV of the SFO *(Continued)*

Notes: *(Continued)*

5. The short position of BlackRock, Inc. in the Company included 2,490,000 H Shares were held through derivatives as follows:

   2,490,000 H Shares (short position) – through cash settled derivatives (off exchange)

6. All the above percentages are calculated by rounding to two decimal places.

Save as disclosed above, as at 30 June 2016, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

II. Interests and Short Positions of Directors, Chief Executive and Supervisors

As at 30 June 2016, as far as the Company is aware, none of the Directors, the chief executive nor the Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, the chief executive or the Supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

Report on Review of Condensed Consolidated Interim Financial Information

BAKER TILLY
HONG KONG | 天職香港

TO THE BOARD OF DIRECTORS OF
CHINA NATIONAL BUILDING MATERIAL COMPANY LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 49 to 88, which comprises the condensed consolidated statement of financial position of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated interim financial information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting", issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Baker Tilly Hong Kong Limited
Certified Public Accountants

Gao Yajun
Practising Certificate Number P06391

Hong Kong, 26 August 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Six months ended 30 June **2016** ***RMB'000*** **(unaudited)**	 2015 *RMB'000* (unaudited)
Revenue	5	**44,103,725**	48,339,127
Cost of sales		**(32,814,211)**	(36,450,611)
Gross profit		**11,289,514**	11,888,516
Investment and other income – net	6	**1,141,315**	3,694,121
Selling and distribution costs		**(3,130,611)**	(3,165,117)
Administrative expenses		**(4,124,904)**	(4,711,645)
Finance costs – net	7	**(4,147,899)**	(5,251,922)
Share of profits of associates		**238,483**	95,714
Profit before income tax	8	**1,265,898**	2,549,667
Income tax expense	9	**(567,335)**	(982,443)
Profit for the period		**698,563**	1,567,224
Profit attributable to:			
Owners of the Company		**109,813**	791,604
Holders of perpetual capital instruments		**258,250**	142,272
Non-controlling interests		**330,500**	633,348
		698,563	1,567,224
		RMB	*RMB*
Earnings per share – basic and diluted	11	**0.02**	0.147

The accompany notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**698,563**	1,567,224
Other comprehensive (expense)/income, net of tax:		
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
Other comprehensive (expense)/income for the period, net of tax	**(328,129)**	97,231
Total comprehensive income for the period	**370,434**	1,664,455
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(200,932)**	882,874
Holders of perpetual capital instruments	**258,250**	142,272
Non-controlling interests	**313,116**	639,309
Total comprehensive income for the period	**370,434**	1,664,455

The accompany notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	**30 June 2016 *RMB'000* (unaudited)**	31 December 2015 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	12	**127,937,554**	126,225,417
Prepaid lease payments		**14,664,199**	14,512,689
Investment properties		**323,368**	323,395
Goodwill	13	**42,604,255**	42,604,255
Intangible assets		**7,154,450**	7,144,897
Interests in associates	14	**10,475,820**	10,364,548
Available-for-sale financial assets	15	**3,016,375**	3,331,163
Deposits	16	**3,624,074**	4,213,178
Deferred income tax assets		**3,878,811**	4,015,509
		213,678,906	212,735,051
Current assets			
Inventories		**16,216,583**	15,164,523
Trade and other receivables	17	**80,060,767**	69,693,408
Available-for-sale financial assets	15	**132,480**	132,480
Financial assets at fair value through profit or loss	18	**2,404,476**	3,084,343
Amounts due from related parties	26(b)	**12,043,054**	12,652,293
Pledged bank deposits	19	**7,549,089**	5,746,301
Cash and cash equivalents		**14,870,818**	10,579,535
		133,277,267	117,052,883

The accompany notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 30 JUNE 2016

	Note	**30 June 2016 *RMB'000* (unaudited)**	31 December 2015 *RMB'000* (audited)
Current liabilities			
Trade and other payables	20	**53,893,969**	46,291,855
Amounts due to related parties	26(b)	**6,893,424**	7,342,940
Borrowings – amount due within one year	21	**149,105,974**	144,425,583
Obligations under finance leases		**4,606,982**	4,456,608
Current income tax liabilities		**1,300,542**	1,652,014
Financial guarantee contracts due with one year		**56,981**	56,981
Dividends payable to non-controlling interests		**428,126**	216,528
		216,285,998	204,442,509
Net current liabilities		**(83,008,731)**	(87,389,626)
Total assets less current liabilities		**130,670,175**	125,345,425
Non-current liabilities			
Borrowings – amount due after one year	21	**36,859,078**	30,501,188
Deferred income		**1,095,990**	1,108,573
Obligations under finance leases		**17,656,042**	18,150,330
Deferred income tax liabilities		**1,810,936**	2,124,057
		57,422,046	51,884,148
Net assets		**73,248,129**	73,461,277
Capital and reserves			
Share capital	22	**5,399,026**	5,399,026
Reserves		**36,009,775**	36,499,449
Equity attributable to:			
Owners of the Company		**41,408,801**	41,898,475
Perpetual capital instruments		**10,253,113**	9,994,863
Non-controlling interests		**21,586,215**	21,567,939
Total equity		**73,248,129**	73,461,277

The accompany notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve fund *RMB'000*	Fair value reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual capital instruments *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016 (audited)	5,399,026	4,824,481	1,599,636	2,376,089	60,627	(161,534)	27,800,150	41,898,475	9,994,863	21,567,939	73,461,277
Profit for the period	–	–	–	–	–	–	109,813	109,813	258,250	330,500	698,563
Other comprehensive expense, net of tax											
Currency translation differences	–	–	–	–	–	(12,275)	–	(12,275)	–	(8,102)	(20,377)
Changes in the fair value of available-for-sale financial assets	–	–	–	–	(293,710)	–	–	(293,710)	–	(9,282)	(302,992)
Shares of associates' other comprehensive expense	–	–	–	–	(84)	(4,676)	–	(4,760)	–	–	(4,760)
Total comprehensive (expense)/ income for the period	–	–	–	–	(293,794)	(16,951)	109,813	(200,932)	258,250	313,116	370,434
Dividends *(Note 10)*	–	–	–	–	–	–	(199,764)	(199,764)	–	–	(199,764)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(388,997)	(388,997)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	1,000	1,000
Increase in non-controlling interests as a result of acquisition of additional interests in subsidiaries *(Note 23(a))*	–	–	(26,096)	–	–	–	–	(26,096)	–	16,170	(9,926)
Deemed partial disposal of interest in subsidiaries without losing control *(Note 23(b))*	–	–	(63,899)	–	–	–	–	(63,899)	–	75,099	11,200
Share of reserves in associates	–	–	(3,090)	–	–	–	–	(3,090)	–	–	(3,090)
Others	–	–	4,107	–	–	–	–	4,107	–	1,888	5,995
At 30 June 2016 (unaudited)	5,399,026	4,824,481	1,510,658	2,376,089	(233,167)	(178,485)	27,710,199	41,408,801	10,253,113	21,586,215	73,248,129

The accompany notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve fund *RMB'000*	Fair value reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual capital instruments *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015 (audited)	5,399,026	4,824,481	300,182	2,195,487	148,987	(147,492)	27,852,230	40,572,901	5,000,125	21,404,205	66,977,231
Profit for the period	–	–	–	–	–	–	791,604	791,604	142,272	633,348	1,567,224
Other comprehensive income/(expense), net of tax											
Currency translation differences	–	–	–	–	–	(19,969)	–	(19,969)	–	2,977	(16,992)
Changes in the fair value of available-for-sale financial assets, net	–	–	–	–	88,154	–	–	88,154	–	2,984	91,138
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	–	–	–	–	(11,925)	–	–	(11,925)	–	–	(11,925)
Shares of associates' other comprehensive income	–	–	–	–	139	34,871	–	35,010	–	–	35,010
Total comprehensive income for the period	–	–	–	–	76,368	14,902	791,604	882,874	142,272	639,309	1,664,455
Dividends *(Note 10)*	–	–	–	–	–	–	(890,839)	(890,839)	–	–	(890,839)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(783,865)	(783,865)
Increase in non-controlling interests as a result of acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	68,113	68,113
Acquisition of additional interests in subsidiaries	–	–	(3,114)	–	–	–	–	(3,114)	–	(5,409)	(8,523)
Others	–	–	1,171	–	–	–	–	1,171	–	6,127	7,298
At 30 June 2015 (unaudited)	5,399,026	4,824,481	298,239	2,195,487	225,355	(132,590)	27,752,995	40,562,993	5,142,397	21,328,480	67,033,870

The accompany notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**2,487,726**	3,692,651
Investing activities		
Purchases of property, plant and equipment	**(3,855,657)**	(2,982,548)
Purchases of intangible assets	**(253,676)**	(581,001)
Net cash outflow from acquisition	**–**	(99,255)
Payments for acquisition of interests in associates	**–**	(284,974)
Deposits paid	**(3,624,074)**	(7,177,611)
Other investing cash flows – net	**3,306,268**	5,941,327
Net cash used in investing activities	**(4,427,139)**	(5,184,062)
Financing activities		
Interest paid	**(3,966,847)**	(5,118,476)
Dividends paid to shareholders	**(199,764)**	(890,839)
Dividends paid to the non-controlling interests of subsidiaries	**(109,235)**	(647,070)
Repayment of borrowings	**(94,243,591)**	(94,798,539)
New borrowings raised	**105,766,205**	111,118,463
Other financing cash flows – net	**(1,003,302)**	(469,790)
Net cash generated from financing activities	**6,243,466**	9,193,749
Net increase in cash and cash equivalents	**4,304,053**	7,702,338
Cash and cash equivalents at 1 January	**10,579,535**	10,290,653
Effect of foreign exchange rate changes	**(12,770)**	(2,696)
Cash and cash equivalents at 30 June	**14,870,818**	17,990,295

The accompany notes are an integral part of this condensed consolidated interim financial information.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(CONTINUED)*

(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[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate of Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] The original effective date of 1 January 2016 has been postponed until further announcement by the IASB.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(CONTINUED)*

(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: *(Continued)*

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. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk, liquidity risk and capital risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management department since year end or in any risk management policies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.2 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

4.3 Fair value measurement of financial instruments

(a) Financial instruments that are measured at fair value on a recurring basis

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the Group's assets and liability that are measured at fair value at 30 June 2016:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through profit or loss	1,347,142	–	1,057,334	2,404,476
Available-for-sale financial assets	1,313,322	–	934,895	2,248,217
Total assets (unaudited)	2,660,464	–	1,992,229	4,652,693
Liability				
Financial guarantee contracts	–	–	56,981	56,981
Total liability (unaudited)	–	–	56,981	56,981

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.3 Fair value measurement of financial instruments *(Continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(Continued)*

The following table presents the Group's assets and liability that are measured at fair value at 31 December 2015:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through profit or loss	1,773,583	–	1,310,760	3,084,343
Available-for-sale financial assets	1,505,422	–	1,061,258	2,566,680
Total assets (audited)	3,279,005	–	2,372,018	5,651,023
Liability				
Financial guarantee contracts	–	–	56,981	56,981
Total liability (audited)	–	–	56,981	56,981

During the six months ended 30 June 2016, there were no significant transfers between levels of the financial assets and financial liability.

During the six months ended 30 June 2016, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liability.

The fair value of financial instruments traded in active market is based on quoted market prices at the end of the reporting period. A market is regarded as active if quotes prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The instruments are included in Level 1. Instruments includes in Level 1 comprise primarily Hong Kong Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange equity investments classified as trading securities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.3 Fair value measurement of financial instruments *(Continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(Continued)*

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair value of financial guarantee contracts is estimated by the management with reference to the financial condition of the guarantee, which were considered as Level 3 valuation.

Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

Information about Level 3 fair value measurements:

Financial assets	Fair value as at 30 June 2016	Fair value as at 31 December 2015	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,057,334,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,310,760,000	Discounted cash flows Key unobservable inputs are: Expected yields of 2.85% to 4.00% of money markets and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks *(Note)*	The higher the discount rate, the lower the fair value The higher the expected yield, the higher the fair value

Note: The management considers that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.3 Fair value measurement of financial instruments *(Continued)*

(a) Financial instruments that are measured at fair value on a recurring basis *(Continued)*

Information about Level 3 fair value measurements: *(Continued)*

Financial assets	Fair value as at 30 June 2016	Fair value as at 31 December 2015	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to fair value
Equity investments classified as AFS	16.67 per cent equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB934,895,000	16.67 per cent equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB1,061,258,000	Market approach – Capital Asset Pricing Model (CAPM) Key unobservable inputs are: Specific risk adjustment coefficient (Rc) of 9%, taking into account Shanshui Cement's recent operating situation	The higher the Specific risk adjustment coefficient, the lower the fair value

(b) Financial instruments that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost were not materially different from their fair values.

5. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *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 *(Note)*	1,930,086	–	221	–	200,819	548,889	(2,680,015)	–
	27,699,287	9,681,301	3,419,955	986,170	3,668,105	1,328,922	(2,680,015)	44,103,725
Adjusted EBITDA (unaudited)	6,131,303	1,318,368	971,676	132,799	624,578	(12,777)	–	9,165,947
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 profits/(losses) 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								170,592
Profit before income tax								1,265,898
Income tax expense								(567,335)
Profit for the period (unaudited)								698,563

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. SEGMENT INFORMATION *(CONTINUED)*

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

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits/(losses) 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:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
ASSETS								
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								38,409,522
Total consolidated assets (unaudited)								346,956,173
LIABILITIES								
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								(72,431,375)
Total consolidated liabilities (unaudited)								(273,708,044)

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *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 *(Note)*	963,211	41	–	–	366,425	347,434	(1,677,111)	–
	29,763,322	10,544,703	3,393,047	1,504,198	3,119,628	1,691,340	(1,677,111)	48,339,127
Adjusted EBITDA (unaudited)	7,992,220	1,873,168	871,759	238,845	521,585	55,837	–	11,553,414
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 profits/(losses) 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								(245,946)
Profit before income tax								2,549,667
Income tax expense								(982,443)
Profit for the period (unaudited)								1,567,224

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. SEGMENT INFORMATION *(CONTINUED)*

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

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, net other income, central administration costs, net finance costs, share of profits/(losses) 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:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
ASSETS								
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								35,607,162
Total consolidated assets (audited)								329,787,934
LIABILITIES								
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								(63,907,310)
Total consolidated liabilities (audited)								(256,326,657)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

6. INVESTMENT AND OTHER INCOME – NET

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. FINANCE COSTS – NET

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

8. PROFIT BEFORE INCOME TAX

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

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

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax	**728,288**	1,021,820
Deferred income tax	**(160,953)**	(39,377)
	567,335	982,443

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

10. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends	**199,764**	890,839

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.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	**109,813**	791,604

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Weighted average number of ordinary shares at 30 June	**5,399,026,262**	5,399,026,262

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2016

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2016 (audited)	**5,300,917**	**62,136,927**	**54,966,135**	**3,821,438**	**126,225,417**
Additions	**4,695,852**	**345,983**	**312,125**	**86,477**	**5,440,437**
Transfer from construction in progress	**(1,912,813)**	**949,286**	**961,888**	**1,639**	**–**
Transfer to construction in progress for reconstruction	**143,906**	**(56,579)**	**(85,430)**	**(1,897)**	**–**
Transfer to prepaid lease payments	**(17,100)**	**–**	**–**	**–**	**(17,100)**
Disposals	**(96,067)**	**(25,980)**	**(28,498)**	**(28,073)**	**(178,618)**
Depreciation and impairment	**–**	**(1,000,214)**	**(2,195,472)**	**(336,896)**	**(3,532,582)**
Net book value as at 30 June 2016 (unaudited)	**8,114,695**	**62,349,423**	**53,930,748**	**3,542,688**	**127,937,554**

As at 31 December 2015

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2015 (audited)	7,220,382	59,883,467	54,402,913	4,512,559	126,019,321
Additions	5,235,700	921,303	1,331,271	21,269	7,509,543
Acquisition of subsidiaries	80,437	156,056	221,603	5,752	463,848
Transfer from construction in progress	(8,053,741)	3,568,863	4,480,083	4,795	–
Transfer to construction in progress for reconstruction	930,649	(343,135)	(587,186)	(328)	–
Disposals	(112,510)	(213,942)	(266,290)	(101,520)	(694,262)
Disposal of subsidiaries	–	–	(19,164)	(1,103)	(20,267)
Depreciation and impairment	–	(1,835,685)	(4,597,095)	(619,986)	(7,052,766)
Net book value as at 31 December 2015 (audited)	5,300,917	62,136,927	54,966,135	3,821,438	126,225,417

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. GOODWILL

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
At the beginning of the period/year	**42,604,255**	42,847,327
Arising from acquisition of subsidiaries	**–**	148,108
Impairment loss for the period/year	**–**	(391,180)
At the end of the period/year	**42,604,255**	42,604,255

Goodwill is allocated to the cash-generating units that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated as follows:

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Cement	**33,619,422**	33,619,422
Concrete	**8,752,362**	8,752,362
Lightweight building materials	**92,552**	92,552
Glass fibre and composite materials	**15,991**	15,991
Engineering services	**62**	62
Others	**123,866**	123,866
	42,604,255	42,604,255

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

14. INTERESTS IN ASSOCIATES

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Cost of investments in associates		
– listed in the PRC	**1,829,881**	1,829,881
– unlisted	**4,390,032**	4,390,032
Share of post-acquisition profit, net of dividend received	**4,255,907**	4,144,635
	10,475,820	10,364,548
Fair value of listed investments	**8,068,094**	7,605,620

As at 30 June 2016, the cost of investments in associates included goodwill of associates of approximately RMB1,045.83 million (31 December 2015: approximately RMB1,045.83 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Available-for-sale financial assets:		
– Unlisted equity shares, at cost *(Note i)*	**900,638**	896,963
– Listed equity shares listed in Hong Kong *(Note ii)*	**1,730,862**	1,898,232
– Listed equity shares listed outside Hong Kong	**517,355**	668,448
	3,148,855	3,463,643

The carrying amount of available-for-sale financial assets are analysed as follows:

Non-current portion	**3,016,375**	3,331,163
Current portion	**132,480**	132,480
	3,148,855	3,463,643

Note i: The available-for-sale financial assets are accounted for at cost less accumulated impairment losses as the range of reasonable fair value estimated is so significant that the management of the opinion that their fair values cannot be reliably measured.

Note ii: Included in the amount, RMB934.90 million (31 December 2015: RMB1,061.26 million) represents shares in China Shanshui Cement Group Limited ("Shanshui Cement"). Shanshui Cement was previously an associate of the Group. At 1 December 2015, the directors appointed by the Group in the Board of directors of Shanshui Cement have been removed, and therefore the Group has lost the power to participate in the financial and operating policy decisions of Shanshui Cement, and reclassified as available-for-sale financial assets.

At the date when Shanshui Cement ceased to be an associate, the fair value of the retained interest shall be regarded as its fair value on initial recognition as available-for-sale financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

16. DEPOSITS

	30 June 2016 ***RMB'000*** **(unaudited)**	31 December 2015 *RMB'000* (audited)
Investment deposits for acquisition of subsidiaries	**864,537**	826,577
Deposits paid to acquire property, plant and equipment	**2,065,360**	2,664,394
Deposits paid to acquire intangible assets	**223,294**	272,500
Deposits paid in respect of prepaid lease payments	**470,883**	449,707
	3,624,074	4,213,178

Note: The carrying amounts of the deposits approximate to their fair values.

17. TRADE AND OTHER RECEIVABLES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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:

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

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

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Held-for-trading investments at market value:		
– Quoted investment funds listed outside Hong Kong	**247**	247
– Quoted listed equity shares listed outside Hong Kong	**1,346,895**	1,773,336
	1,347,142	1,773,583
Unlisted investments *(Note)*	**1,057,334**	1,310,760
	2,404,476	3,084,343

Note: During the six months ended 30 June 2016, the Group entered into certain investments with certain financial insititutions. The investment based on respective contracts have maturity dates within 3 months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

19. PLEDGED BANK DEPOSITS

As at 30 June 2016, the Group pledged approximately RMB7,549.09 million bank deposits (31 December 2015: approximately RMB5,746.30 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Pledged bank deposits carry interest at market rates which ranging from 0.15% to 3.20% (the year ended 31 December 2015: ranging from 0.15% to 3.20%) per annum.

20. TRADE AND OTHER PAYABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. BORROWINGS

	30 June 2016 ***RMB'000*** **(unaudited)**	31 December 2015 *RMB'000* (audited)
Bank borrowings:		
– Secured	**4,532,866**	2,241,098
– Unsecured	**104,463,056**	96,692,673
	108,995,922	98,933,771
Bonds	**75,700,000**	74,900,000
Borrowings from other financial institutions	**1,269,130**	1,093,000
	185,965,052	174,926,771
Analysed for reporting purposes:		
Non-current	**36,859,078**	30,501,188
Current	**149,105,974**	144,425,583
	185,965,052	174,926,771

The interest rates of the borrowings are ranging from 1.15% to 7.65% per annum during the period (the year ended 31 December 2015: ranging from 1.40% to 7.80%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. BORROWINGS *(CONTINUED)*

Movements in borrowings are analysed as follows:

Six months ended 30 June 2016	***RMB'000***
Opening amount at 1 January 2016 (audited)	**174,926,771**
Additions during the period	**105,766,205**
Repayments of borrowings	**(94,727,924)**
Closing amount at 30 June 2016 (unaudited)	**185,965,052**

Six months ended 30 June 2015	*RMB'000*
Opening amount at 1 January 2015 (audited)	177,023,748
Additions during the period	111,118,463
Acquisition of subsidiaries	38,000
Repayments of borrowings	(98,090,603)
Closing amount at 30 June 2015 (unaudited)	190,089,608

At the end of the reporting date, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30 June 2016 ***RMB'000*** **(unaudited)**	31 December 2015 *RMB'000* (audited)
Property, plant and equipment	**9,471,874**	8,133,581
Prepaid lease payments	**230,604**	191,723
Cash and cash equivalents *(Note 19)*	**7,549,089**	5,746,301
Trade receivables	**198,269**	328,313
Bills receivable	**–**	44,987
	17,449,836	14,444,905

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

22. SHARE CAPITAL

	Domestic Shares *(Note (a))*		H Shares *(Note (b))*		
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Total capital**
		RMB'000		*RMB'000*	*RMB'000*
Registered and paid up shares of RMB1.0 each					
As at 1 January 2015, 31 December 2015, 1 January 2016 and 30 June 2016	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

There are no movements in share capital during the six months ended 30 June 2016.

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares subscribed for and credited as fully paid up in RMB by persons other than PRC government and/or PRC incorporated entities only.

Other than the specific requirements on the holders of the shares as set out in Notes (a) and (b), the shares mentioned above rank pari passu in all respects with each other.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

23. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

Shenyang Dexin Lihe Property Development Limited ("瀋陽德信利和房地產開發有限公司") ("Shenyang Dexin")

During the six months ended 30 June 2016, the Group acquired additional issued shares of Shenyang Dexin for a consideration of approximately RMB9.93 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB-16.17 million. The Group recognised an increase in non-controlling interests of approximately RMB16.17 million and a decrease in equity attributable to owners of the Company of approximately RMB26.1 million.

	30 June 2016 *RMB'000* (unaudited)	30 June 2015 *RMB'000* (unaudited)
Carrying amount of non-controlling interests acquired	**(16,170)**	5,409
Consideration paid to non-controlling interests	**(9,926)**	(8,523)
Excess of consideration paid recognised within parent's equity	**(26,096)**	(3,114)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

23. TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Deemed partial disposal of interests in subsidiaries without losing control

During the six months ended 30 June 2016, non-controlling parties of China Triumph International Engineering Company Limited ("China Triumph") injected RMB11.20 million as registered capital. After that, the Company's effective equity interest in China Triumph were diluted from 93.09% to 91%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB63.90 million and increase in non-controlling interests of approximately RMB75.10 million.

	30 June 2016 *RMB'000* **(unaudited)**	30 June 2015 *RMB'000* (unaudited)
Carrying amount of equity interest obtained by non-controlling interests	**(75,099)**	–
Capital contributed by non-controlling interests	**11,200**	–
Loss on disposal within equity	**(63,899)**	–

24. COMMITMENTS

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Capital expenditure of the Group contracted but not provided in the condensed consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**6,273**	9,869

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

25. CONTINGENT LIABILITIES AND LITIGATION

At the reporting date, the Group did not have any contingent liabilities of potential future payments under guarantees.

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

(i) For the six months ended 30 June 2016, save for the gypsum board litigation in the United States (the "US") as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor were any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement of the Company dated 30 May 2010 in respect of an announcement released by BNBM, relating to the gypsum board incident in the US and the information on subsequent development of the gypsum board litigation in the US set out in the announcements dated 18 July 2014, 20 August 2014, 13 February 2015, and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third–quarterly report and the 2015 annual report of the Company. The Company was notified by the Parent that an order has been made by the Federal District Court of the Eastern District of Louisiana, the United States on 9 March 2016 (US time) to dismiss the lawsuit filed by the plaintiff against the Parent.

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

(ii) In respect of immaterial litigation, references are made to the information on subsequent development set out in the voluntary announcement dated 29 January 2015, 2015 interim report and the 2015 annual report of the Company in relation to the court proceedings against Sichuan Zizhong Dongfanghong Cement Company Limited ("Dongfanghong"), Zizhong Southwest, Southwest Cement and (in respect of some of the cases) the Company filed by certain creditors of Dongfanghong.

Regarding the re-trial application in respect of a case submitted by Zizhong Southwest and Southwest Cement to the Supreme People's Court of PRC, Southwest Cement and Zizhong Southwest had received a judgement from the Supreme People's Court of PRC in July 2016, holding that Southwest Cement, Zizhong Southwest and Dongfanghong did not constitute confusion of corporate personalities, and accordingly Southwest Cement and Zizhong Southwest shall not be held jointly and severally liable for the repayment of the external debts of Dongfanghong. Zizhong Southwest and Southwest Cement have tendered an application for the reversal of judicial execution based on the judgement above. Other relevant courts may subsequently deliver a series of judgements holding that Zizhong Southwest and Southwest Cement shall not be held jointly and severally liable for the relevant debts of Dongfanghong pursuant to the judgement of the Supreme People's Court of PRC. Zizhong Southwest and Southwest Cement will apply for the reversal of judicial executions in accordance with such judgements. The Company will continue to monitor the progress of the proceedings and will make further announcements if and when necessary.

26. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the period and balances as at the end of the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of production supplies to		
– The Parent Group	**240,090**	218,264
– Associates	**46,621**	33,466
– Non-controlling interests of subsidiaries	**858**	4,080
	287,569	255,810
Provision of support services to		
– The Parent Group	**1,094**	275,442
– Associates	**–**	21,714
	1,094	297,156
Rental income received from		
– The Parent Group	**27,844**	1,489
– Associates	**10,759**	–
	38,603	1,489
Rendering of engineering services to the Parent Group	**882**	215,952
Supply of raw materials (limestone and clay) by the Parent Group	**–**	225
Provision of production supplies by		
– The Parent Group	**132,488**	72,580
– Associates	**31,789**	46,961
	164,277	119,541

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties: *(Continued)*

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of support services by the Parent Group	**881**	2,263
Provision of engineering services by the Parent Group	**5,718**	–
Interest income received from Associates	**6,267**	1,428
Supplying of equipment by the Parent Group	**11,909**	–

(b) Amounts due from/(to) related parties:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**3,568,398**	3,001,821
– Associates	**505,530**	646,565
– Non-controlling interests of subsidiaries	**554,276**	573,915
	4,628,204	4,222,301
Non-trading in nature:		
– Fellow subsidiaries	**1,477,955**	2,283,511
– Associates	**4,416,069**	5,238,277
– Immediate holding company	**96,925**	78,417
– Non-controlling interests of subsidiaries	**1,423,901**	829,787
	7,414,850	8,429,992
	12,043,054	12,652,293

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Amounts due from/(to) related parties: *(Continued)*

	30 June 2016 **RMB'000** **(unaudited)**	31 December 2015 RMB'000 (audited)
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**972,012**	1,100,372
– Associates	**134,068**	235,685
– Immediate holding company	**24,678**	3,230
– Non-controlling interests of subsidiaries	**37,665**	521,411
	1,168,423	1,860,698
Non-trading in nature:		
– Fellow subsidiaries	**133,883**	131,448
– Associates	**69,120**	23,666
– Immediate holding company	**4,825,000**	5,115,751
– Non-controlling interests of subsidiaries	**696,998**	211,377
	5,725,001	5,482,242
	6,893,424	7,342,940

The carrying amounts of amounts due from and to related parties approximate to their fair values. All amounts are unsecured and repayable on demand. The trading nature portion of amounts due from and to related parties is aged within one year.

As at 30 June 2016, amounts due from related parties of approximately RMB6,612.58 million (31 December 2015: approximately RMB6,135.16 million) carry the variable interest rate of 4.75% (31 December 2015: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2016, amounts due to related parties of approximately RMB5,284.18 million (31 December 2015: approximately RMB5,597.07 million) carry the fixed interest rate of 5.64% (31 December 2015: 5.64%) per annum. The remaining balances of amounts due to related parties are interest-free.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Transactions and balances with other state-owned enterprises in the PRC

During the six months ended 30 June 2016, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 30 June 2016 and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2016 are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**2,504**	3,308
Post-employment benefits	**94**	97
	2,598	3,405

27. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information set out on pages 49 to 88 have been approved and authorised for issue by the Board of Directors on 26 August 2016.