



China National Materials Company Limited

A joint stock company incorporated in the People's Republic of China with limited liability
(Stock Code: 01893)

Materials Bring a Prosperous Life 2016 Interim Report

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Corporate Information

As at 30 June 2016

DIRECTORS

Executive Directors

LIU Zhijiang (*Chairman*)
PENG Jianxin (*President*)

Non-executive Directors¹

YU Shiliang
LI Xinhua (*Vice Chairman*)
LI Jianlun
YU Guobo
TANG Baoqi

Independent Non-executive Directors²

LEUNG Chong Shun
LU Zhengfei
WANG Shimin
ZHOU Zude

SUPERVISORS³

XU Weibing (*Chairman*)
WANG Fengting
WANG Jianguo
WANG Yingcai
QU Xiaoli

STRATEGY COMMITTEE⁴

LIU Zhijiang (*Chairman*)
YU Shiliang
LI Xinhua
PENG Jianxin
LI Jianlun
YU Guobo
ZHOU Zude

AUDIT COMMITTEE⁵

LU Zhengfei (*Chairman*)
WANG Shimin
YU Shiliang

REMUNERATION COMMITTEE⁶

WANG Shimin (*Chairman*)
LEUNG Chong Shun
LU Zhengfei

¹ On 29 July 2016, Mr. SHEN Yungang and Mr. WANG Fengting were appointed as non-executive Directors, and Mr. YU Shiliang, Mr. YU Guobo and Mr. TANG Baoqi ceased to be non-executive Directors. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

² On 29 July 2016, Mr. WANG Zhulin was appointed as an independent non-executive Director, and Mr. WANG Shimin and Mr. ZHOU Zude ceased to be independent non-executive Directors. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

³ On 29 March 2016, Mr. ZHANG Renjie resigned as a Supervisor due to change of work allocation. For details, please refer to the announcement of the Company published on 29 March 2016 on the websites of the Hong Kong Stock Exchange and the Company. On 24 May 2016, Mr. WANG Fengting was appointed as a Supervisor. For details, please refer to the announcement of the Company published on 24 May 2016 on the websites of the Hong Kong Stock Exchange and the Company. On 29 July 2016, Mr. WANG Fengting and Mr. WANG Jianguo ceased to be Supervisors, and Mr. ZHANG Hai and Mr. GUO Yanming were appointed as Supervisors. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁴ On 29 July 2016, Mr. LIU Zhijiang was appointed as the chairman of the Strategy Committee, and Mr. LI Xinhua and Mr. PENG Jianxin were appointed as members of the Strategy Committee. Mr. YU Shiliang, Mr. LI Jianlun, Mr. YU Guobo and Mr. ZHOU Zude ceased to be members of the Strategy Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁵ On 29 July 2016, Mr. LU Zhengfei was appointed as the chairman of the Audit Committee, and Mr. LI Xinhua and Mr. WANG Zhulin were appointed as members of the Audit Committee. Mr. WANG Shimin and Mr. YU Shiliang ceased to be members of the Audit Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁶ On 29 July 2016, Mr. WANG Zhulin was appointed as the chairman of the Remuneration Committee, and Mr. LEUNG Chong Shun and Mr. LU Zhengfei were appointed as members of the Remuneration Committee. Mr. WANG Shimin ceased to be a member of the Remuneration Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

Corporate Information

As at 30 June 2016

NOMINATION COMMITTEE⁷

LIU Zhijiang (*Chairman*)
WANG Shimin
ZHOU Zude

SECRETARY OF THE BOARD

GU Chao

JOINT COMPANY SECRETARIES

GU Chao
YU Leung Fai (*HKICPA, AICPA and CPAA*)

AUTHORISED REPRESENTATIVES

LIU Zhijiang
YU Leung Fai (*HKICPA, AICPA and CPAA*)

REGISTERED OFFICE AND PLACE OF BUSINESS

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035, the PRC

PLACE OF BUSINESS IN HONG KONG

7th Floor, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

LEGAL ADVISORS

DLA Piper (*as to Hong Kong law*)
Jia Yuan Law Firm (*as to PRC law*)

AUDITOR⁸

ShineWing Certified Public Accountants LLP

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

01893

COMPANY WEBSITE

<http://www.sinoma-ltd.cn>

INVESTOR CONTACT

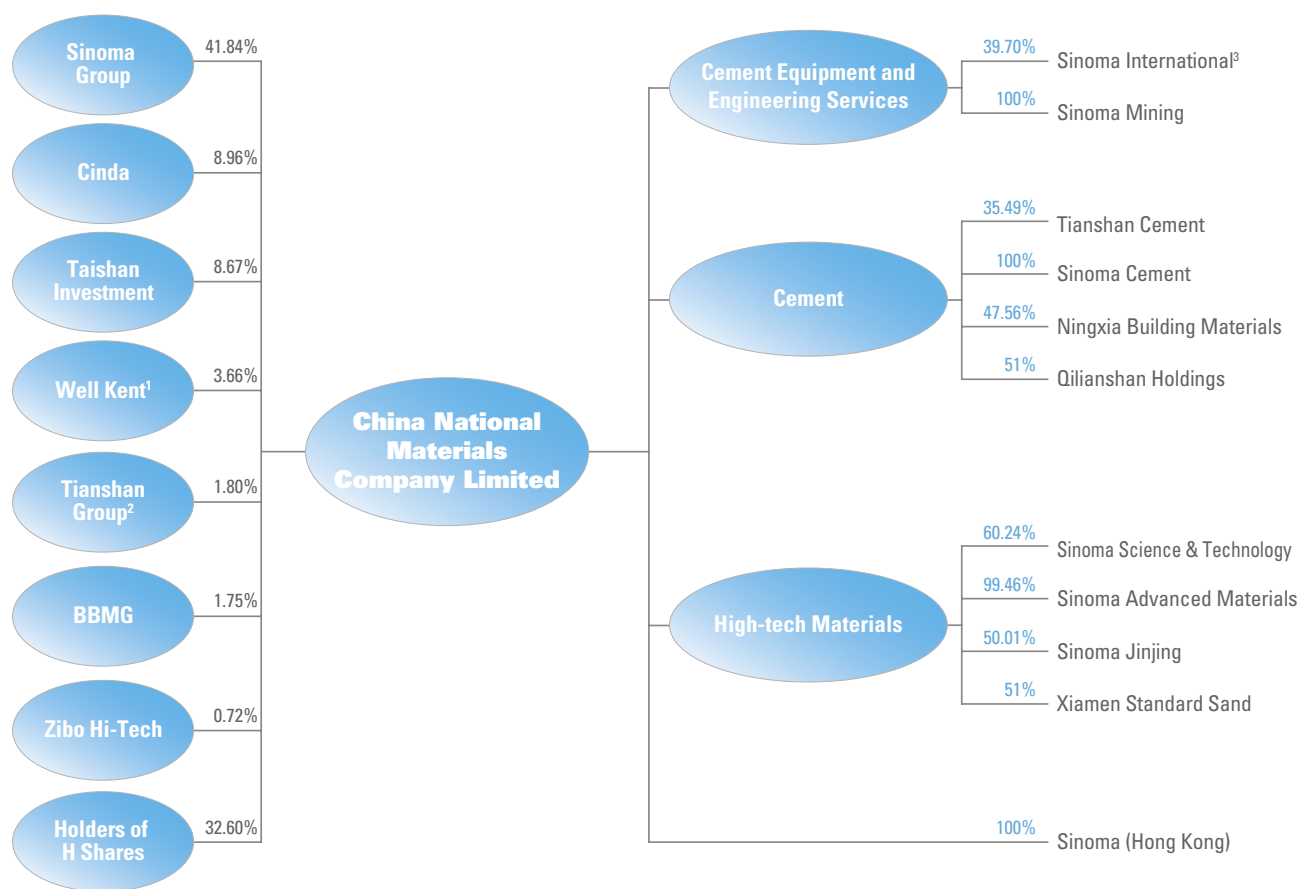
Tel: (8610)8222 9925
Fax: (8610)8222 8800
E-mail: ir@sinoma-ltd.cn

⁷ On 29 July 2016, Mr. LIU Zhijiang was appointed as the chairman of the Nomination Committee, and Mr. LEUNG Chong Shun and Mr. LU Zhengfei were appointed as members of the Nomination Committee. Mr. WANG Shimin and Mr. ZHOU Zude ceased to be members of the Nomination Committee. For details, please refer to the announcement of the Company published on 29 July 2016 on the websites of the Hong Kong Stock Exchange and the Company.

⁸ The annual general meeting of the Company for the year 2015 approved to cease to re-appoint SHINEWING (HK) CPA Limited as the international auditor of the Company, and approved to re-appoint ShineWing Certified Public Accountants LLP as the auditor of the Company for the year 2016. For details, please refer to the announcements of the Company published on 29 March 2016 and 24 May 2016 as well as the circular of the Company published on 6 April 2016 on the websites of the Hong Kong Stock Exchange and the Company.

Corporate Structure

As at 30 June 2016



Notes:

- ¹ Well Kent is a wholly-owned subsidiary of Cinda.
- ² Sinoma Group holds 50.95% equity interest in Tianshan Group.
- ³ On 29 May 2015, Sinoma International resolved to issue no more than 64,516,129 subscription shares by way of non-public offer. For details, please refer to the announcement of the Company published on 29 May 2015 on the websites of the Hong Kong Stock Exchange and the Company. Up to the date of this report, the issuance of such subscription shares has not been completed yet.

The above chart covers first-tier subsidiaries only. Subsidiaries on second-tier and below are not listed.

Financial Summary

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

| | As at | | |
|--|--|--|-------------|
| | 30 June 2016 RMB million (Unaudited) | 31 December 2015 RMB million (Audited) | Change % |
| Total assets | 105,405.61 | 102,617.96 | 2.72 |
| Total liabilities | 70,632.14 | 69,260.80 | 1.98 |
| Equity attributable to shareholders of the Company | 15,735.44 | 14,976.76 | 5.07 |
| Equity per share (RMB) | 4.41 | 4.19 | 5.25 |

Note: On 29 March 2016, the Board resolved to change the Company's accounting standard into Accounting Standards for Business Enterprises of the PRC. Unless otherwise stated, the relevant financial information in the 2016 interim report of the Company was prepared in accordance with Accounting Standards for Business Enterprises of the PRC.

Business Summary

CEMENT EQUIPMENT AND ENGINEERING SERVICES

| | Six months ended 30 June | | |
|---|--------------------------|---------------------------|-------------|
| | 2016 | 2015 | Change % |
| Amount of new order intakes (RMB million) | 18,793 | 12,789 | 46.95 |
| | As at 30 June 2016 | As at 31 December 2015 | Change % |
| Amount of backlog (RMB million) | 69,238 | 68,028 | 1.78 |

CEMENT

| | Six months ended 30 June | | |
|---------------------------------------|--------------------------|--------|-------------|
| | 2016 | 2015 | Change % |
| Sales volume of cement ('000 tonnes) | 33,453 | 31,088 | 7.61 |
| Sales volume of clinker ('000 tonnes) | 3,525 | 4,073 | -13.45 |

HIGH-TECH MATERIALS

| | Six months ended 30 June | | |
|--|--------------------------|--------|-------------|
| | 2016 | 2015 | Change % |
| Sales volume of glass fiber and products ('000 tonnes) | 272 | 252 | 7.94 |
| Sales volume of fan blades for wind power generator (set) | 1,157 | 1,701 | -31.98 |
| Sales volume of solar-energy fused silica crucibles (unit) | 94,196 | 44,127 | 113.47 |
| Sales volume of natural gas cylinders (unit) | 63,280 | 57,400 | 10.24 |

Chairman's Statement

Dear shareholders,

On behalf of the Board, I report to the shareholders the interim report of the Group for the six months ended 30 June 2016.

In the first half of 2016, the global economy was still undergoing a period of profound adjustment, and the recovery fell well short of expectation. The worldwide trade continued to be sluggish. The trends of developed countries and emerging economies diverged. The global economy faced more uncertainties due to the increase of international geopolitical risks and contingencies. The overall economy in the PRC was stable, and the economic growth maintained in the expected target range. However, the structural and cyclical contradictions and the potential and trendy risks in the economy further emerged. The economic downward pressure was not eased, in particular the building material industry was seriously affected by overcapacity, with the price still haunting at a low level. The Company actively responded to the complicated economic situations both at home and abroad, adhered to the policy of developing stably, adjusting structure, facilitating reforms and preventing risks, adopted various measures, improved quality and enhanced efficiency, as well as proactively tackled difficulties and challenges, thereby achieving stable production and operation.

During the Reporting Period, total operating revenue of the Group was RMB21,751.27 million, representing a year-on-year decrease of 5.80%; net profit was RMB428.13 million, representing a year-on-year increase of 2.02%; net profit attributable to shareholders of the Company was RMB307.52 million, representing a year-on-year decrease of 30.87%; earnings per share of the Company amounted to RMB0.086.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

During the Reporting Period, confronted with the unfavorable factors including the sluggish global economic growth, the reduction in the fixed asset investment in the cement industry in China and increasingly intensified market competition, the segment continued to step up its market development efforts and penetrated into new business fields, and actively promoted the benchmarking and refined management. During the Reporting Period, the new order intake increased by 46.95% year-on-year to RMB18,793 million, of which the new order intake from overseas markets amounted to RMB15,210 million, representing a year-on-year increase of 64.44%. As at 30 June 2016, the backlog order amounted to RMB69,238 million.

CEMENT

During the Reporting Period, in face of the unfavorable situations including serious overcapacity in domestic cement industry and the low prices of cement products, the segment closely monitored target markets, deeply promoted benchmarking management, strictly controlled production cost, and took efforts to reduce energy consumption of products, resulting in a year-on-year decrease of 2.19 kilograms of standard coal/tonne in comprehensive energy consumption for each tonne of cement. During the Reporting Period, sales of cement amounted to 33.45 million tonnes, representing a year-on-year increase of 7.61%. While consolidating its influence and market share in regional markets, the segment accelerated its footsteps of "Overseas Expansion". During the Reporting Period, the construction of a new dry-process cement production line in Sinoma-Zambia Building Materials Industry Park (中材贊比亞建材工業園) with an annual output of one million tonnes commenced and the preparatory work of certain overseas cement projects has been actively promoted.

Chairman's Statement

HIGH-TECH MATERIALS

Given the intense market competition, the segment optimized its resources allocation, adjusted its industrial structure and increased its effort on market development during the Reporting Period, with quality improvement and efficiency enhancement as the main trajectory and with industrial optimization and intensification as the objectives, thereby achieving year-on-year increase in the sales volume of glass fiber and products, solar-energy fused silica crucibles and natural gas cylinders of 7.94%, 113.47% and 10.24%, respectively.

PROSPECTS

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

CEMENT EQUIPMENT AND ENGINEERING SERVICES

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

CEMENT

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

Chairman's Statement

HIGH-TECH MATERIALS

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

On behalf of the Board, I would like to express my heartfelt gratitude to all the shareholders, investors and customers for your long-term support and also my appreciation to the management and all staff for their diligence and dedication to the Group.

LIU Zhijiang

Chairman of the Board

Beijing, the PRC

26 August 2016

Management Discussion and Analysis

BUSINESS REVIEW

Overview

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

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Industry Review

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

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

Business Review

Strengthening market expansion constantly to further consolidate leadership in market share

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

Management Discussion and Analysis

Accelerating the implementation of diversification strategy and exploring new business proactively

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

Promoting refined management and enhancing profitability continuously

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

CEMENT

Industry Review

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

Business Review

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

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

Strengthening internal management to reduce product cost

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

Management Discussion and Analysis

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

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

HIGH-TECH MATERIALS

Industry Review

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

Business Review

Seizing market opportunities to boost product sales

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

Capitalizing on technical strengths to strengthen cost control and improve quality

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

Management Discussion and Analysis

FINANCIAL REVIEW

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

Operating Results

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

Consolidated Operating Results

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

Management Discussion and Analysis

Total operating revenue

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

Operating cost

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

Gross profit and gross margin

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

Business taxes and surcharges

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

Selling expenses

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

Management Discussion and Analysis

Administrative expenses

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

Financial expenses

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

Asset impairment losses

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

(Losses) incomes from changes in fair value

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

Investment incomes

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

Operating profit and operating profit margin

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

Management Discussion and Analysis

Non-operating income

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

Non-operating expenses

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

Total profits

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

Income tax expenses

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

Net profit attributable to shareholders of the Company

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

Minority interests

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

Segment results

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

Management Discussion and Analysis

Cement Equipment and Engineering Services

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

Total operating revenue

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

Operating cost

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

Gross profit and gross margin

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

Business taxes and surcharges

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

Management Discussion and Analysis

Selling expenses

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

Administrative expenses

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

Financial incomes

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

Asset impairment losses

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

(Losses) incomes from changes in fair value

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

Investment incomes (losses)

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

Operating profit

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

Management Discussion and Analysis

Cement

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

Total operating revenue

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

Operating cost

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

Gross profit and gross margin

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

Business taxes and surcharges

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

Management Discussion and Analysis

Selling expenses

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

Administrative expenses

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

Financial expenses

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

Asset impairment losses

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

Investment incomes

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

Operating losses

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

Management Discussion and Analysis

High-tech Materials

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

Total operating revenue

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

Operating cost

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

Gross profit and gross margin

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

Business taxes and surcharges

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

Management Discussion and Analysis

Selling expenses

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

Administrative expenses

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

Financial expenses

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

Asset impairment losses

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

Investment incomes

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

Operating profit

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

Management Discussion and Analysis

Liquidity and Capital Resources

Cash flows:

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

Net cash flows from operating activities

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

Net cash flows from investing activities

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

Net cash flows from financing activities

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

Working Capital

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

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

Management Discussion and Analysis

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

Borrowings

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

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

Pledge of Assets

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

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

Contingent Liabilities

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

Management Discussion and Analysis

Material Investment

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

Material Acquisitions and Disposals of Assets

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

On 3 March 2016, Sinoma Science & Technology entered into a promoters' agreement with the NRD, a wholly-owned subsidiary of Sinoma Science & Technology, and Yingke Hezhong, pursuant to which Sinoma Science & Technology, the NRD and Yingke Hezhong have agreed to contribute RMB160 million, RMB100 million and RMB40 million, respectively, to establish Sinoma Lithium Membrane Co., Ltd. (中材鋰膜有限公司) with a registered capital of RMB0.3 billion. For details, please refer to the announcement of the Company published on 3 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 29 March 2016, Qinghai Qilianshan, a subsidiary of the Company, and Kunlunshan Mining, a subsidiary of the Parent, entered into an equity transfer agreement, pursuant to which Qinghai Qilianshan agreed to acquire and Kunlunshan Mining agreed to transfer 20% equity interest in Qicai Mining, a subsidiary of the Company, with a consideration of RMB5.4308 million. For details, please refer to the announcements of the Company published on 29 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.

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

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

Management Discussion and Analysis

Market Risks

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

Contract risks

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

During the Reporting Period, the Company further enhanced the management of contract risks, standardized contract terms of new order intakes and improved the capability of implementation of contracts. The Company cleared out the contracts at hand and has carried out risk prevention plans. For the projects under construction, the Company enhanced risk assessment of default in payment on project owners, paid close attention to the project owners' credit status, and conducted periodic settlement in time. For delay and suspension in the construction of the related projects, the Company actively communicated with the project owners to avoid losses. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign currency risks

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

Interest rate risks

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

Raw materials and energy price risks

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

Other Information

CHANGE OF ACCOUNTING STANDARDS

From the year of 2016 on, the Company will prepare the financial statements merely in accordance with the Accounting Standards for Business Enterprises of the PRC. Unless otherwise stated, the relevant financial data of the year of 2015 in this report have been presented in accordance with the Accounting Standards for Business Enterprises of the PRC.

REVIEW OF UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee has reviewed the Company's interim report. The Company's external auditor has reviewed the unaudited consolidated financial information for the six months ended 30 June 2016.

SHARE CAPITAL

The share capital structure of the Company as at 30 June 2016 was as follows:

| Class of shares | Number of shares | Approximate percentage to the total issued share capital |
|-------------------------|-------------------------|---|
| Domestic Shares | 2,276,522,667 | 63.74% |
| Foreign shares | | |
| Unlisted Foreign Shares | 130,793,218 | 3.66% |
| H Shares | <u>1,164,148,115</u> | <u>32.60%</u> |
| Total | <u>3,571,464,000</u> | <u>100%</u> |

DIVIDEND

The Company has not proposed to declare or distribute any interim dividend for the six months ended 30 June 2016.

Other Information

DISCLOSURE OF INTERESTS

Directors', Supervisors' and the Chief Executive's Interests and Short Positions in the Company's Shares, Underlying Shares and Debentures

As at the date of this report, the supervisor of the Company, Mr. ZHANG Hai, had an interest in the 42,000 H Shares (long position) of the Company. Save as disclosed above, none of the Directors, Supervisors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the laws of Hong Kong), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they are deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register kept under such provisions, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, to the knowledge of the Directors, Supervisors and the chief executive of the Company, the persons listed in the following table had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO:

| Name | Class of shares | Nature of interests | Number of shares interested | Percentage to the respective class of issued shares | Percentage to the total share capital |
|--|-------------------------|---------------------|-----------------------------|---|---------------------------------------|
| China National Materials Group Corporation Ltd. | Domestic Shares | N/A | 1,494,416,985 | 65.64% | 41.84% |
| China Cinda Asset Management Co., Ltd. | Domestic Shares | N/A | 319,788,108 | 14.05% | 8.96% |
| Taian Taishan Investment Co., Ltd. | Domestic Shares | N/A | 309,786,095 | 13.61% | 8.67% |
| Well Kent International Holdings Company Limited | Unlisted Foreign Shares | N/A | 130,793,218 | 100.00% | 3.66% |
| National Council for Social Security Fund | H Shares | Long Position | 93,124,115 | 7.99% | 2.61% |

Note: The above information is based on the data provided in the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Save as disclosed above, to the knowledge of the Directors, Supervisors and the chief executive of the Company, as at 30 June 2016, there was no other person having interests and/or short positions in the shares or underlying shares of the Company which were required, pursuant to section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

EMPLOYEES OF THE COMPANY AND THEIR REMUNERATION

The Company adopts position-based remuneration system for its employees whose remuneration is determined by reference to the relative importance of their positions, the duties assumed in the positions and other factors. There is no significant change in the accrued payroll and welfare of the staff of the Group as compared with that of last year. As at 30 June 2016, the Group had 60,120 employees. The Group actively encouraged the self-development of its staff and organised various staff training activities.

MATERIAL LEGAL MATTERS

During the Reporting Period, Sinoma E&E, a wholly-owned subsidiary of Sinoma International (a subsidiary of the Company) was involved in the following material legal matters:

1. A civil action was filed in respect of Sinoma E&E's loan contract disputes with Bank of Beijing Co., Ltd. Shuangyushu Branch. Subsequently, Sinoma E&E has repaid the debt owed to Bank of Beijing Co., Ltd. Shuangyushu Branch. As confirmed with the presiding judges, the litigation has been withdrawn by the plaintiff. For details, please refer to the announcements of the Company published on 6 January 2015 and 25 January 2016 on the websites of the Hong Kong Stock Exchange and the Company.
2. A civil action was filed in respect of Sinoma E&E's loan contract disputes with Hua Xia Bank Co., Ltd. Beijing Olympic Village Branch. Subsequently, Sinoma E&E has repaid the debt owed to Hua Xia Bank Co., Ltd. Beijing Olympic Village Branch. As confirmed with the presiding judges, the litigation has been withdrawn by the plaintiff. For details, please refer to the announcements of the Company published on 20 October 2015 and 25 January 2016 on the websites of the Hong Kong Stock Exchange and the Company.
3. A civil action was filed in respect of financing loan contract disputes between China Merchants Bank Co., Ltd. Beijing Xisanhuan Branch and Sinoma E&E. Subsequently, Sinoma E&E repaid the debt owed to China Merchants Bank Co., Ltd. Beijing Xisanhuan Branch. As confirmed with the presiding judges, the litigation has been withdrawn by the plaintiff. For details, please refer to the announcements of the Company published on 7 April 2015 and 8 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.
4. Sinoma E&E filed a civil action to the court in respect of its sales contract disputes with SinoSteel Guangdong Co., Ltd., and appealed to the court in respect of the first instance judgment received. Sinoma E&E filed an action against SinoSteel Guangdong Co., Ltd. to the court again on the basis of unjust enrichment after receiving the second instance judgement of this case, the first instance judgement of which was received. For details, please refer to the announcements of the Company published on 25 June 2013, 28 February 2014, 22 September 2014, 2 July 2015 and 25 April 2016 on the websites of the Hong Kong Stock Exchange and the Company.

Other Information

5. Sinoma E&E filed a civil action to the court in respect of its sale and purchase contract disputes with the parties comprising Shanghai Dingqi Trading Co., Ltd., Shanghai Huaji Steel Materials Co., Ltd., Shanghai Xinmao Industrial Development Co., Ltd. as well as guarantors including Lin Qinhua, Fujian Jinlin Industrial Co., Ltd., Shanghai Zhongtang Industrial Co., Ltd., Fujian Bangsheng Group Co., Ltd., Xu Qingzhuang, Li Shoulong, Wu Zhouguo and Lin Lizhen. Sinoma E&E appealed to the court in respect of the first instance judgment received, and the second instance judgement was received. For details, please refer to the announcements of the Company published on 13 August 2013, 7 January 2015, 24 June 2015 and 28 June 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 20 November 2014, Saudi Arabian branch of Sinoma International (the “Saudi Arabian Branch”) received the assessment report from Saudi Arabian tax bureau, proclaiming that Saudi Arabian Branch was required to pay supplementary tax (being 33.04 million riyals) and the overdue fine thereof (calculated based on the rate of 1% per thirty days), or to appeal within the prescribed time. Saudi Arabian Branch entrusted its tax consulting agency to appeal and submitted the appealing materials to the primary board of tax appeals. During the Reporting Period, Sinoma International received the official written notice of appealing results transmitted by Saudi Arabian Branch. For details, please refer to the announcement of the Company published on 29 May 2016 on the websites of the Hong Kong Stock Exchange and the Company.

OTHER IMPORTANT EVENTS

On 23 February 2016, Sinoma Science & Technology entered into an equipment procurement contract with DaLian Rubber & Plastics, pursuant to which DaLian Rubber & Plastics agreed to sell equipment to Sinoma Lithium Membrane Co., Ltd. and to be in charge of the overall graphic design of the plant area and the design of factories for the project, with the aggregate consideration thereunder being RMB277.90 million. For details, please refer to the announcement of the Company published on 23 February 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 29 March 2016, Qinghai Qilianshan and Kunlunshan Mining, a subsidiary of the Parent, entered into an exploration right transfer contract, pursuant to which Qinghai Qilianshan agreed to acquire and Kunlunshan Mining agreed to sell the exploration right for Shangxiamen lime mines in Shangxinzhuan Town, Huangzhong County, Qinghai Province with a consideration of RMB19.8051 million. For details, please refer to the announcement of the Company published on 29 March 2016 on the websites of the Hong Kong Stock Exchange and the Company.

On 24 June 2016, Fukang Tianshan, a subsidiary of Tianshan Cement, and Greatwall Guoxing entered into finance lease arrangements, under which, Fukang Tianshan agreed to sell the production equipment to Greatwall Guoxing at a total consideration of RMB300,000,000 and Greatwall Guoxing has agreed to leaseback such production equipment to Fukang Tianshan for a period of 36 months. For details, please refer to the announcement of the Company published on 24 June 2016 on the websites of the Hong Kong Stock Exchange and the Company.

EVENTS AFTER THE REPORTING PERIOD

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

Corporate Governance

During the Reporting Period, the Company established a standard and ideal corporate governance structure in strict compliance with laws and regulations including the PRC Company Law and Securities Law and the requirements of domestic and foreign regulatory bodies. The Company is committed to maintaining its corporate governance at a high standard to increase the benefits of shareholders in the long run.

(1) COMPLIANCE WITH “CORPORATE GOVERNANCE CODE” AND “CORPORATE GOVERNANCE REPORT”

During the six months ended 30 June 2016, the Company has fully complied with the “Corporate Governance Code” and “Corporate Governance Report” as set out in Appendix 14 of the Listing Rules.

(2) COMPLIANCE WITH “MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS”

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

(3) AUDIT COMMITTEE

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

(4) CONNECTED TRANSACTIONS MANAGEMENT

In order to standardise and strengthen the management of connected transactions, the Company has established the “China National Materials Company Limited Connected Transactions Management System”. The securities department of the office of the Board is responsible for the management of connected transactions. The Company has made subdivisions as to the connected transaction caps that have already been disclosed and sub-divided each connected transaction to each subsidiary, with each subsidiary responsible for the controlling of its sub-divided portion of connected transactions, in order to ensure that the Company’s connected transactions are carried out based on rules and systems, namely the total amounts of the transactions do not exceed the annual caps approved at the Board meeting or the general meeting. Pursuant to the provisions of the relevant system of the Company, the Company is required to comply with the reporting, announcements and independent shareholders’ approval procedures (if applicable) under the Listing Rules before conducting any proposed new connected transaction.

Unaudited Consolidated Balance Sheet

As at 30 June 2016

Unit: RMB

| Item | Note | As at 30 June 2016 (Unaudited) | As at 31 December 2015 (Audited) |
|---|--------|--------------------------------------|--|
| Current assets: | | | |
| Monetary funds | VI. 1 | 18,642,990,876.95 | 15,059,508,463.86 |
| Settlement reserve fund | | – | – |
| Lending funds | | – | – |
| Financial assets at fair value through profit or loss | VI. 2 | 6,977,161.93 | 18,417,367.12 |
| Derivative financial assets | | – | – |
| Bills receivable | VI. 3 | 4,254,181,110.65 | 4,141,302,237.29 |
| Accounts receivable | VI. 4 | 9,609,682,861.51 | 9,249,803,070.72 |
| Prepayments | VI. 5 | 4,219,404,513.10 | 4,498,868,368.53 |
| Premiums receivable | | – | – |
| Reinsurance accounts receivable | | – | – |
| Reinsurance contract provision receivable | | – | – |
| Interest receivable | | 8,726,283.23 | 41,308,381.85 |
| Dividends receivable | VI. 6 | 46,506,907.32 | 39,557,042.70 |
| Other receivables | VI. 7 | 994,144,735.85 | 910,092,488.22 |
| Financial assets purchased under agreements to resell | | – | – |
| Inventories | VI. 8 | 9,505,169,318.39 | 9,622,098,088.62 |
| Assets classified as held for sale | VI. 9 | 31,507,714.30 | 43,565,713.65 |
| Non-current assets due within one year | | 35,988,996.69 | 31,939,063.66 |
| Other current assets | VI. 10 | 655,161,507.92 | 808,835,575.00 |
| Total current assets | | 48,010,441,987.84 | 44,465,295,861.22 |
| Non-current assets: | | | |
| Loans and advances offered | | – | – |
| Available-for-sale financial assets | VI. 11 | 2,524,966,314.11 | 3,097,278,962.43 |
| Held-to-maturity investments | VI. 12 | – | – |
| Long-term receivables | VI. 13 | 339,039,511.85 | 332,014,376.92 |
| Long-term equity investments | VI. 14 | 227,728,451.11 | 219,746,632.41 |
| Investment properties | VI. 15 | 314,675,430.59 | 326,152,305.36 |
| Fixed assets | VI. 16 | 43,392,690,404.10 | 43,717,983,089.36 |
| Construction in progress | VI. 17 | 2,340,038,438.26 | 2,170,813,642.02 |
| Construction materials | | 1,913,300.75 | 1,689,386.48 |
| Disposal of fixed assets | | 4,158,452.81 | 4,151,014.00 |
| Productive biological assets | | – | – |
| Oil and gas assets | | – | – |
| Intangible assets | VI. 18 | 4,647,096,486.77 | 4,727,606,894.76 |
| Development expenditures | VI. 19 | 47,883,673.69 | 40,644,061.62 |
| Goodwill | VI. 20 | 1,662,245,710.14 | 1,644,081,493.25 |
| Long-term prepayments | VI. 21 | 649,780,615.65 | 688,757,725.59 |
| Deferred income tax assets | VI. 22 | 946,183,479.55 | 940,993,259.15 |
| Other non-current assets | VI. 23 | 296,764,849.99 | 240,747,491.15 |
| Total non-current assets | | 57,395,165,119.37 | 58,152,660,334.50 |
| Total assets | | 105,405,607,107.21 | 102,617,956,195.72 |

Unaudited Consolidated Balance Sheet

As at 30 June 2016

| Item | Note | As at 30 June 2016 (Unaudited) | As at 31 December 2015 (Audited) |
|--|--------|--------------------------------------|--|
| Current liabilities: | | | |
| Short-term borrowings | VI. 24 | 11,929,305,827.20 | 12,308,967,318.68 |
| Borrowings from the central bank | | – | – |
| Deposit taking and interbank placements | | – | – |
| Borrowing fund | | – | – |
| Financial liabilities at fair value through profit or loss | VI. 25 | 17,241,108.91 | 9,142,168.24 |
| Derivative financial liabilities | | – | – |
| Bills payable | VI. 26 | 4,561,176,826.32 | 3,948,148,840.93 |
| Accounts payable | VI. 27 | 12,558,495,327.74 | 12,755,448,214.94 |
| Accounts received in advance | VI. 28 | 9,607,226,497.64 | 9,552,911,419.41 |
| Financial assets sold under agreements to repurchase | | – | – |
| Handling charges and commissions payable | | – | – |
| Employee benefits payable | VI. 29 | 551,601,638.29 | 719,174,610.16 |
| Taxes payable | VI. 30 | 560,956,889.97 | 641,110,984.05 |
| Interest payable | VI. 31 | 486,516,765.87 | 287,570,906.66 |
| Dividends payable | VI. 32 | 306,113,347.40 | 221,536,460.30 |
| Other payables | VI. 33 | 1,627,765,096.68 | 1,421,633,625.40 |
| Reinsurance accounts payable | | – | – |
| Insurance contract provision | | – | – |
| Receivings from vicariously traded securities | | – | – |
| Receivings from vicariously sold securities | | – | – |
| Liabilities classified as held for sale | | – | – |
| Non-current liabilities due within one year | VI. 34 | 6,166,181,939.44 | 8,424,396,897.66 |
| Other current liabilities | VI. 35 | 8,299,086,546.72 | 6,399,976,391.82 |
| Total current liabilities | | 56,671,667,812.18 | 56,690,017,838.25 |
| Non-current liabilities: | | | |
| Long-term borrowings | VI. 36 | 6,579,155,032.01 | 5,186,731,216.43 |
| Bonds payable | VI. 37 | 4,100,000,000.00 | 4,100,000,000.00 |
| Including: preferred shares | | – | – |
| Perpetual bond | | – | – |
| Long-term payables | VI. 38 | 916,575,684.58 | 824,751,794.33 |
| Long-term employee benefits payable | VI. 39 | 282,476,052.02 | 295,382,198.03 |
| Special payables | VI. 40 | 289,431,659.54 | 287,557,761.08 |
| Provisions | VI. 41 | 206,384,532.77 | 193,987,526.67 |
| Deferred incomes | VI. 42 | 854,914,155.65 | 801,261,195.22 |
| Deferred income tax liabilities | VI. 22 | 731,533,892.64 | 881,105,477.64 |
| Other non-current liabilities | | – | – |
| Total non-current liabilities | | 13,960,471,009.21 | 12,570,777,169.40 |
| Total liabilities | | 70,632,138,821.39 | 69,260,795,007.65 |

Unaudited Consolidated Balance Sheet

As at 30 June 2016

| Item | Note | As at 30 June 2016 (Unaudited) | As at 31 December 2015 (Audited) |
|--|--------|--------------------------------------|--|
| Shareholders' equity: | | | |
| Share capital | VI. 43 | 3,571,464,000.00 | 3,571,464,000.00 |
| Other equity instruments | | – | – |
| Including: preferred shares | | – | – |
| perpetual bond | | – | – |
| Capital reserve | VI. 44 | 5,565,753,455.52 | 4,693,739,636.75 |
| Less: treasury shares | | – | – |
| Other comprehensive income | VI. 45 | 1,037,760,145.19 | 1,365,139,143.54 |
| Special reserve | VI. 46 | 237,565,646.35 | 222,546,698.14 |
| Surplus reserve | VI. 47 | 135,391,961.13 | 135,391,961.13 |
| General risk provisions | | – | – |
| Undistributed profits | VI. 48 | 5,187,503,932.64 | 4,988,475,948.37 |
| Total equity attributable to the shareholders of parent company | | 15,735,439,140.83 | 14,976,757,387.93 |
| Minority interests | | 19,038,029,144.99 | 18,380,403,800.14 |
| Total shareholders' equity | | 34,773,468,285.82 | 33,357,161,188.07 |
| Total liabilities and shareholders' equity | | 105,405,607,107.21 | 102,617,956,195.72 |

Unaudited Balance Sheet of the Company

As at 30 June 2016

Unit: RMB

| Item | Note | As at 30 June 2016 (Unaudited) | As at 31 December 2015 (Audited) |
|---|--------|--------------------------------------|--|
| Current assets: | | | |
| Monetary funds | | 2,794,974,883.44 | 303,998,811.14 |
| Financial assets at fair value through profit or loss | | - | - |
| Derivative financial assets | | - | - |
| Bills receivable | | - | - |
| Accounts receivable | | - | - |
| Prepayments | | 1,160,000.00 | 1,959,468.40 |
| Interest receivable | | - | - |
| Dividends receivable | | 54,014,219.66 | 47,315,119.64 |
| Other receivables | XIV. 1 | 1,635,379,347.59 | 1,757,569,147.05 |
| Inventories | | - | - |
| Assets classified as held for sale | | - | - |
| Non-current assets due within one year | | - | - |
| Other current assets | | - | - |
| Total current assets | | 4,485,528,450.69 | 2,110,842,546.23 |
| Non-current assets: | | | |
| Available-for-sale financial assets | | 1,789,104,306.10 | 2,166,539,914.34 |
| Held-to-maturity investments | | - | - |
| Long-term receivables | | - | - |
| Long-term equity investments | XIV. 2 | 15,945,241,360.06 | 15,068,117,141.92 |
| Investment properties | | - | - |
| Fixed assets | | 4,207,789.85 | 4,475,695.43 |
| Construction in progress | | - | - |
| Construction materials | | - | - |
| Disposal of fixed assets | | - | - |
| Productive biological assets | | - | - |
| Oil and gas assets | | - | - |
| Intangible assets | | 4,914,978.47 | 4,046,094.52 |
| Development expenditures | | - | - |
| Goodwill | | - | - |
| Long-term prepayments | | - | - |
| Deferred income tax assets | | - | - |
| Other non-current assets | | - | - |
| Total non-current assets | | 17,743,468,434.48 | 17,243,178,846.21 |
| Total assets | | 22,228,996,885.17 | 19,354,021,392.44 |

Unaudited Balance Sheet of the Company

As at 30 June 2016

| Item | Note | As at 30 June 2016 (Unaudited) | As at 31 December 2015 (Audited) |
|--|------|--------------------------------------|--|
| Current liabilities: | | | |
| Short-term borrowings | | – | – |
| Financial liabilities at fair value through profit or loss | | – | – |
| Derivative financial liabilities | | – | – |
| Bills payable | | – | – |
| Accounts payable | | 65,500.00 | – |
| Accounts received in advance | | – | – |
| Employee benefits payable | | – | 2,416,615.75 |
| Taxes payable | | 594,640.40 | 3,893,086.84 |
| Interest payable | | 243,938,351.20 | 112,677,587.35 |
| Dividends payable | | 118,388,057.00 | 11,239,033.32 |
| Other payables | | 254,258,531.55 | 265,683,324.20 |
| Liabilities classified as held for sale | | – | – |
| Non-current liabilities due within one year | | 2,499,756,613.59 | 2,498,296,295.79 |
| Other current liabilities | | 3,500,000,000.00 | 1,250,000,000.00 |
| Total current liabilities | | 6,617,001,693.74 | 4,144,205,943.25 |
| Non-current liabilities: | | | |
| Long-term borrowings | | 140,000,000.00 | 48,000,000.00 |
| Bonds payable | | 2,500,000,000.00 | 2,500,000,000.00 |
| Including: preferred shares | | – | – |
| Perpetual bond | | – | – |
| Long-term payables | | – | – |
| Long-term employee benefits payable | | 32,337,000.00 | 33,593,811.03 |
| Special payables | | – | – |
| Provisions | | – | – |
| Deferred incomes | | – | – |
| Deferred income tax liabilities | | 348,319,575.13 | 442,678,477.19 |
| Other non-current liabilities | | – | – |
| Total non-current liabilities | | 3,020,656,575.13 | 3,024,272,288.22 |
| Total liabilities | | 9,637,658,268.87 | 7,168,478,231.47 |

Unaudited Balance Sheet of the Company

As at 30 June 2016

| Item | Note | As at 30 June 2016 (Unaudited) | As at 31 December 2015 (Audited) |
|---|------|--------------------------------------|--|
| Shareholders' equity: | | | |
| Share capital | | 3,571,464,000.00 | 3,571,464,000.00 |
| Other equity instruments | | - | - |
| Including: preferred shares | | - | - |
| Perpetual bond | | - | - |
| Capital reserve | | 6,846,568,164.66 | 6,846,568,164.66 |
| Less: treasury shares | | - | - |
| Other comprehensive income | | 1,029,775,725.40 | 1,313,060,431.58 |
| Special reserve | | - | - |
| Surplus reserve | | 128,103,195.48 | 128,103,195.48 |
| Undistributed profits | | 1,015,427,530.76 | 326,347,369.25 |
| Total shareholders' equity | | 12,591,338,616.30 | 12,185,543,160.97 |
| Total liabilities and shareholders' equity | | 22,228,996,885.17 | 19,354,021,392.44 |

Unaudited Consolidated Income Statement

For the six months ended 30 June 2016

Unit: RMB

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|--|--------|---|---|
| I. Total operating revenue | | 21,751,267,943.28 | 23,091,216,587.18 |
| Including: operating income | VI. 49 | 21,751,267,943.28 | 23,091,216,587.18 |
| Interest income | | - | - |
| Earned premium | | - | - |
| Handling charges and commission income | | - | - |
| II. Total operating cost | | 21,389,549,357.68 | 22,954,336,426.70 |
| Including: operating cost | VI. 49 | 17,523,672,514.23 | 19,044,045,511.88 |
| Interest expenditure | | - | - |
| Handling charges and commission expenditure | | - | - |
| Surrender value | | - | - |
| Net compensation expenses | | - | - |
| Net amount of provisions for insurance contract | | - | - |
| Expenditures dividend policy | | - | - |
| Reinsurance expenses | | - | - |
| Business taxes and surcharges | VI. 50 | 142,462,244.86 | 139,301,146.00 |
| Selling expenses | VI. 51 | 922,633,718.98 | 879,403,526.25 |
| Administrative expenses | VI. 52 | 1,861,264,422.12 | 1,863,817,564.34 |
| Financial expenses | VI. 53 | 781,741,853.24 | 920,381,323.05 |
| Asset impairment losses | VI. 54 | 157,774,604.25 | 107,387,355.18 |
| Add: incomes from changes in fair value (losses to be listed with "-") | VI. 55 | -9,199,940.32 | 4,743,990.00 |
| Investment incomes (losses to be listed with "-") | VI. 56 | 34,037,274.24 | 165,451,580.25 |
| Including: income from investment in associates and joint ventures | | 9,706,126.31 | 16,182,236.09 |
| Exchange income (loss to be listed with "-") | | - | - |
| III. Operating profit (loss to be listed with "-") | | 386,555,919.52 | 307,075,730.73 |
| Add: non-operating income | VI. 57 | 311,550,804.81 | 350,253,557.33 |
| Including: gain from disposal of non-current assets | | 51,274,971.69 | 9,521,465.82 |
| Less: non-operating expenses | VI. 58 | 32,825,302.80 | 28,416,052.22 |
| Including: loss from disposal of non-current assets | | 13,989,729.59 | 4,867,442.33 |
| IV. Total profit (total loss to be listed with "-") | | 665,281,421.53 | 628,913,235.84 |
| Less: income tax expenses | VI. 59 | 237,147,747.09 | 209,261,886.36 |
| V. Net profit (net loss to be listed with "-") | | 428,133,674.44 | 419,651,349.48 |
| Net profit attributable to shareholders of the parent company | | 307,521,904.27 | 444,824,841.17 |
| Minority interests | | 120,611,770.17 | -25,173,491.69 |

Unaudited Consolidated Income Statement

For the six months ended 30 June 2016

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|--|------|---|---|
| VI. Net amount of other comprehensive income | | -400,645,965.70 | 486,497,408.45 |
| Other comprehensive income attributable to shareholders' of parent company (net of tax) | | -327,378,998.35 | 366,667,976.09 |
| (I) Other comprehensive income that cannot be subsequently reclassified to profit or loss | | -749,065.08 | -1,453,428.93 |
| 1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan | | -749,065.08 | -1,453,428.93 |
| 2. Shares of other comprehensive income that cannot be reclassified to profit or loss of the investee entities under the equity method | | - | - |
| (II) Other comprehensive income that may be subsequently reclassified to profit or loss | | -326,629,933.27 | 368,121,405.02 |
| 1. Shares of other comprehensive income that may be subsequently reclassified to profit or loss of the investee entities under the equity method | | -2,220,795.84 | - |
| 2. Gains and losses arising from changes in fair value of available-for-sale financial assets | | -339,192,875.33 | 392,353,311.53 |
| 3. Gains and losses arising from reclassifying held-to-maturity investment to available-for-sale financial assets | | - | - |
| 4. Effective portion of gains and losses arising from hedging instruments in a cash flow hedge | | - | -83,374.93 |
| 5. Exchange differences on translation of foreign currency financial statements | | 14,783,264.91 | -24,148,531.58 |
| 6. Others | | 472.99 | - |
| Other comprehensive income attributable to minority interests (net of tax) | | -73,266,967.35 | 119,829,432.36 |
| VII. Total comprehensive income | | 27,487,708.74 | 906,148,757.93 |
| Total comprehensive income attributable to the shareholders of parent company | | -19,857,094.08 | 811,492,817.26 |
| Total comprehensive income attributable to minority interests | | 47,344,802.82 | 94,655,940.67 |
| VIII. Earnings per share: | | | |
| (I) Basic earnings per share | | 0.086 | 0.125 |
| (II) Diluted earnings per share | | 0.086 | 0.125 |

Unaudited Income Statement of the Company

For the six months ended 30 June 2016

Unit: RMB

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|--|--------|---|---|
| I. Operating revenue | XIV. 3 | 37,984,740.33 | 51,823,917.10 |
| Less: operating costs | XIV. 3 | - | 2,902,139.33 |
| Business taxes and surcharges | | 1,239,856.53 | - |
| Selling expenses | | - | - |
| Administrative expenses | | 21,273,141.12 | 18,046,954.29 |
| Financial expenses | | 167,689,409.67 | 176,484,411.69 |
| Asset impairment losses | | - | -100,000.00 |
| Add: incomes from changes in fair value (losses to be listed with "-") | | - | - |
| Investment incomes (losses to be listed with "-") | XIV. 4 | 950,370,594.49 | 409,291,866.78 |
| Including: income from investment in associates and joint ventures | | 5,136,678.32 | 4,998,730.57 |
| II. Operating profit (loss to be listed with "-") | | 798,152,927.50 | 263,782,278.57 |
| Add: non-operating income | | 71,154.01 | - |
| Including: gain from disposal of non-current assets | | | |
| Less: non-operating expenses | | 2,000,000.00 | 1,500,000.00 |
| Including: loss from disposal of non-current assets | | - | - |
| III. Total profit (total loss to be listed with "-") | | 796,224,081.51 | 262,282,278.57 |
| Less: income tax expenses | | - | - |
| IV. Net profit (net loss to be listed with "-") | | 796,224,081.51 | 262,282,278.57 |

Unaudited Income Statement of the Company

For the six months ended 30 June 2016

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|--|------|---|---|
| V. Net amount of other comprehensive income | | -283,284,706.18 | 252,612,373.18 |
| (I) Other comprehensive income that cannot be subsequently reclassified to profit or loss | | -208,000.00 | -896,000.00 |
| 1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan | | -208,000.00 | -896,000.00 |
| 2. Shares of other comprehensive income that cannot be reclassified to profit or loss of the investee entities under the equity method | | - | - |
| (II) Other comprehensive income that may be subsequently reclassified to profit or loss | | -283,076,706.18 | 253,508,373.18 |
| 1. Shares of other comprehensive income that may be subsequently reclassified to profit or loss of the investee entities under the equity method | | - | - |
| 2. Gains and losses arising from changes in fair value of available-for-sale financial assets | | -283,076,706.18 | 253,508,373.18 |
| 3. Gains and losses arising from reclassifying held-to-maturity investment to available-for-sale financial assets | | - | - |
| 4. Effective portion of gains and losses arising from hedging instruments in a cash flow hedge | | - | - |
| 5. Exchange differences on translation of foreign currency financial statements | | - | - |
| 6. Others | | - | - |
| VI. Total comprehensive income | | 512,939,375.33 | 514,894,651.75 |

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

Unit: RMB

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|--|------|---|---|
| I. Cash flow generated from operating activities | | | |
| Cash received from sales of goods or rendering of services | | 19,328,117,891.54 | 21,586,386,396.61 |
| Net increase in deposits and interbank placements | | - | - |
| Net increase in loans from the Central Bank | | - | - |
| Net increase in funds borrowed from other financial institutions | | - | - |
| Cash received from receiving premium of original insurance contract | | - | - |
| Net cash received from reinsurance | | - | - |
| Net increase in deposits of the insured and investment | | - | - |
| Net increase in disposal of financial assets measured at fair value and with their variance recorded into current profits and losses | | - | - |
| Cash received from interests, handling charges and commissions | | - | - |
| Net increase in funds borrowed | | - | - |
| Net increase in repurchase business funds | | - | - |
| Refund of taxes and surcharges | | 528,934,575.85 | 489,502,275.66 |
| Cash received relating to other operating activities | | 1,182,572,696.93 | 1,308,155,845.96 |
| Subtotal of cash inflows from operating activities | | 21,039,625,164.32 | 23,384,044,518.23 |
| Cash paid for goods and services | | 13,226,171,588.52 | 15,852,029,375.95 |
| Net increase in loans and advances to customer | | - | - |
| Net increase in deposits in the Central Bank and other banks | | - | - |
| Cash paid for compensation under original insurance contract | | - | - |
| Cash paid for interests, handling charges and commissions | | - | - |
| Cash paid for policyholder dividends | | - | - |
| Cash paid to and on behalf of employees | | 2,648,503,843.56 | 2,664,163,531.47 |
| Cash paid for taxes and surcharges | | 1,650,458,598.20 | 1,639,473,249.68 |
| Cash paid relating to other operating activities | | 1,461,649,200.10 | 2,105,704,088.95 |
| Subtotal of cash outflows from operating activities | | 18,986,783,230.38 | 22,261,370,246.05 |
| Net cash flows from operating activities | | 2,052,841,933.94 | 1,122,674,272.18 |

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|---|------|---|---|
| II. Cash flow generated from investing activities: | | | |
| Cash received from disposal of investments | | 73,836,386.50 | 239,305,769.21 |
| Cash received from returns on investments | | 73,202,875.54 | 98,271,864.32 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 34,584,294.15 | 8,223,142.72 |
| Net cash received from disposal of subsidiaries and other business entities | | 120,162.81 | 33,500.00 |
| Cash received relating to other investing activities | | 6,491,917.34 | 10,958,187.25 |
| Subtotal of cash inflows from investing activities | | 188,235,636.34 | 356,792,463.50 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 789,254,713.58 | 857,618,681.90 |
| Cash paid for investments | | 293,611,220.71 | 25,490,384.00 |
| Net increase in pledge loans | | - | - |
| Net cash paid for acquisitions of subsidiaries and other business entities | | - | 244,052,899.80 |
| Cash paid relating to other investing activities | | 960,000.00 | 215,800.00 |
| Subtotal of cash outflows from investing activities | | 1,083,825,934.29 | 1,127,377,765.70 |
| Net cash flows from investing activities | | -895,590,297.95 | -770,585,302.20 |

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|--|------|---|---|
| III. Cash flows from financing activities: | | | |
| Cash received from capital contributions | | 1,860,644,961.45 | 290,409,542.42 |
| Including: cash received by subsidiaries' from capital contributions by minority interests | | 1,500,000.00 | 19,929,542.42 |
| Cash received from borrowings | | 8,738,931,944.17 | 8,807,436,529.96 |
| Cash received from issuing bonds | | 799,400,000.00 | – |
| Cash received relating to other financing activities | | 6,935,668,525.35 | 5,240,233,816.67 |
| Subtotal of cash inflows from financing activities | | 18,334,645,430.97 | 14,338,079,889.05 |
| Cash repayments of borrowings | | 10,519,375,058.71 | 10,551,619,791.61 |
| Cash payments for interest expenses and distribution of dividends or profits | | 984,455,797.91 | 1,007,864,402.94 |
| Including: dividends and profits paid to minority interests by subsidiaries | | 217,753,624.39 | 176,793,649.76 |
| Cash paid relating to other financing activities | | 4,541,456,009.70 | 3,401,101,085.30 |
| Subtotal of cash outflows from financing activities | | 16,045,286,866.32 | 14,960,585,279.85 |
| Net cash flows from financing activities | | 2,289,358,564.65 | -622,505,390.80 |
| IV. Effect of changes in exchange rate on cash and cash equivalents | | | |
| | | 75,313,636.09 | 19,666,046.18 |
| V. Net increase in cash and cash equivalents | | | |
| Add: cash and cash equivalents at the beginning of the period | | 12,951,276,987.11 | 10,108,922,653.84 |
| VI. Cash and cash equivalents at the end of the period | | 16,473,200,823.84 | 9,858,172,279.20 |

Unaudited Statement of Cash Flows of the Company

For the six months ended 30 June 2016

Unit: RMB

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|--|------|---|---|
| I. Cash flow generated from operating activities | | | |
| Cash received from sales of goods or rendering of services | | - | - |
| Refund of taxes and surcharges | | - | - |
| Cash received relating to other operating activities | | 3,255,793.03 | 3,622,430.50 |
| Subtotal of cash inflows from operating activities | | 3,255,793.03 | 3,622,430.50 |
| | | | |
| Cash paid for goods and services | | - | - |
| Cash paid to and on behalf of employees | | 19,237,754.57 | 18,898,890.35 |
| Cash paid for taxes and surcharges | | 9,849,372.37 | 4,124,237.13 |
| Cash paid relating to other operating activities | | 514,875,293.48 | 15,695,266.77 |
| Subtotal of cash outflows from operating activities | | 543,962,420.42 | 38,718,394.25 |
| Net cash flows from operating activities | | -540,706,627.39 | -35,095,963.75 |
| II. Cash flow generated from investing activities: | | | |
| Cash received from disposal of investments | | - | 129,348,331.13 |
| Cash received from returns on investments | | 163,497,276.33 | 296,595,722.51 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | - | - |
| Net cash received from disposal of subsidiaries and other business entities | | - | - |
| Cash received relating to other investing activities | | 1,114,793,582.12 | 691,835,548.61 |
| Subtotal of cash inflows from investing activities | | 1,278,290,858.45 | 1,117,779,602.25 |
| | | | |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 493,798.00 | 201,100.00 |
| Cash paid for investments | | 96,950,000.00 | 603,290,000.00 |
| Net cash paid for acquisitions of subsidiaries and other business entities | | - | - |
| Cash paid relating to other investing activities | | 448,000,000.00 | 519,000,000.00 |
| Subtotal of cash outflows from investing activities | | 545,443,798.00 | 1,122,491,100.00 |
| Net cash flows from investing activities | | 732,847,060.45 | -4,711,497.75 |

Unaudited Statement of Cash Flows of the Company

For the six months ended 30 June 2016

| Item | Note | Six months ended 30 June 2016 (Unaudited) | Six months ended 30 June 2015 (Unaudited) |
|---|------|---|---|
| III. Cash flows from financing activities: | | | |
| Cash received from capital contributions | | – | 270,480,000.00 |
| Cash received from borrowings | | 92,000,000.00 | – |
| Cash received from issuing bonds | | – | – |
| Cash received relating to other financing activities | | 3,500,005,103.68 | 3,750,000,000.00 |
| Subtotal of cash inflows from financing activities | | 3,592,005,103.68 | 4,020,480,000.00 |
| Cash repayments of borrowings | | – | 1,850,000,000.00 |
| Cash payments for interest expenses and distribution of dividends or profits | | 43,169,464.44 | 84,963,322.56 |
| Cash paid relating to other financing activities | | 1,250,000,000.00 | 1,834,260,000.00 |
| Subtotal of cash outflows from financing activities | | 1,293,169,464.44 | 3,769,223,322.56 |
| Net cash flows from financing activities | | 2,298,835,639.24 | 251,256,677.44 |
| IV. Effect of changes in exchange rate on cash and cash equivalents | | | |
| | | – | – |
| V. Net increase in cash and cash equivalents | | 2,490,976,072.30 | 211,449,215.94 |
| Add: cash and cash equivalents at the beginning of the period | | 303,998,811.14 | 486,021,504.55 |
| VI. Cash and cash equivalents at the end of the period | | 2,794,974,883.44 | 697,470,720.49 |

Unaudited Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2016

Unit: RMB

| Item | For the six months ended 30 June 2016 | | | | | | | | | | | | | |
|--|---------------------------------------|------------------|--------------------------|----------------|--------|------------------|---|-----------------------|----------------------------|-----------------|-----------------|-------------------------|-----------------------|--------------------|
| | Share capital | Preferred shares | Other equity instruments | Perpetual bond | Others | Capital reserve | Equity attributable to shareholders of the parent company | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | General risk provisions | Undistributed profits | Minority interests |
| I. At 31 December 2015 (Audited) | 3,571,464,000.00 | - | - | - | - | 4,693,739,636.75 | 222,546,698.14 | 1,365,139,143.54 | - | 135,391,961.13 | - | 4,998,475,946.37 | 18,380,403,800.14 | 33,357,161,188.07 |
| Add: changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Corrections of prior period accounting errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Business combination under common control | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| II. At 1 January 2016 (Audited) | 3,571,464,000.00 | - | - | - | - | 4,693,739,636.75 | 222,546,698.14 | 1,365,139,143.54 | - | 135,391,961.13 | - | 4,998,475,946.37 | 18,380,403,800.14 | 33,357,161,188.07 |
| III. Increase/decrease during the period (decrease to be listed with "+") | - | - | - | - | - | 872,013,818.77 | 15,019,948.21 | -327,378,998.35 | - | - | - | 199,027,994.27 | 657,625,344.85 | 1,416,307,097.75 |
| (I) Total comprehensive income | - | - | - | - | - | - | - | -327,378,998.35 | - | - | - | 307,521,904.27 | 47,344,802.82 | 27,487,706.74 |
| (II) Capital contribution and withdraw by shareholders | - | - | - | - | - | 872,013,818.77 | - | - | - | - | - | - | 883,737,340.71 | 1,755,751,168.48 |
| 1. Shareholders' ordinary share | - | - | - | - | - | - | - | - | - | - | - | - | 883,737,340.71 | 883,737,340.71 |
| 2. Capital contribution by holders of other equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Share-based payment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | 872,013,818.77 | - | - | - | - | - | - | - | 872,013,818.77 |
| (III) Profit distribution | - | - | - | - | - | - | - | - | - | - | - | -108,493,920.00 | -288,002,575.92 | -396,496,495.92 |
| 1. Appropriation of surplus reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Appropriation of general risk provisions | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Distribution to Shareholders | - | - | - | - | - | - | - | - | - | - | - | -107,143,920.00 | -288,002,575.92 | -395,146,495.92 |
| 4. Others | - | - | - | - | - | - | - | - | - | - | - | -1,350,000.00 | - | -1,350,000.00 |
| (IV) Transfers within shareholders' equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Surplus reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Surplus reserves to recover loss | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | 15,019,948.21 | - | - | - | - | - | - | 14,545,768.24 |
| (V) Special reserve | - | - | - | - | - | - | 40,835,059.39 | - | - | - | - | - | - | 30,014,814.60 |
| 1. Appropriation in current period | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Amount used in current period | - | - | - | - | - | - | -25,916,111.18 | - | - | - | - | - | - | -15,469,046.36 |
| (VI) Others | - | - | - | - | - | - | 237,565,646.35 | 1,037,760,145.19 | - | 135,391,961.13 | - | 5,187,503,892.64 | 19,038,029,144.99 | 34,773,488,285.82 |
| IV. At 30 June 2016 (Unaudited) | 3,571,464,000.00 | - | - | - | - | 5,565,753,455.52 | 237,565,646.35 | 1,037,760,145.19 | - | 135,391,961.13 | - | 5,187,503,892.64 | 19,038,029,144.99 | 34,773,488,285.82 |

Unaudited Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2016

Unit: RMB

| Item | For the year ended 31 December 2015 | | | | | | | | | | Total shareholders' equity | |
|--|-------------------------------------|------------------|--------------------------|------------------|-----------------------|----------------------------|-----------------|-----------------|-------------------------|-----------------------|----------------------------|--------------------|
| | Share capital | Preferred shares | Other equity instruments | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | General risk provisions | Undistributed profits | | Minority interests |
| I. At 31 December 2014 (Audited) | 3,571,464,000.00 | - | - | 3,938,000,339.36 | - | 1,505,505,171.78 | 202,876,631.66 | 123,794,888.78 | - | 4,304,612,591.11 | 17,108,679,034.50 | 30,724,932,658.19 |
| Add: changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - |
| Corrections of prior period accounting errors | - | - | - | - | - | - | - | - | - | - | - | - |
| Business contribution under common control | - | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - | - |
| II. At 1 January 2015 (Audited) | 3,571,464,000.00 | - | - | 3,938,000,339.36 | - | 1,505,505,171.78 | 202,876,631.66 | 123,794,888.78 | - | 4,304,612,591.11 | 17,108,679,034.50 | 30,724,932,658.19 |
| III. Increase/decrease during the year (decrease to be listed with "+") | | | | | | | | | | | | |
| (I) Total comprehensive income | - | - | - | 785,739,297.39 | - | -140,366,028.24 | 19,670,066.48 | 11,597,071.35 | - | 683,863,357.26 | 1,271,724,765.64 | 2,632,228,529.88 |
| (II) Capital contribution and withdraw by shareholders | - | - | - | 785,739,297.39 | - | - | - | - | - | - | 1,547,144,816.17 | 2,332,884,113.56 |
| 1. Shareholders' ordinary share | - | - | - | 375,619,200.00 | - | - | - | - | - | - | 718,048,994.64 | 1,093,668,194.64 |
| 2. Capital contribution by holders of other equity instruments | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Share-based payment | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | 410,120,097.39 | - | - | - | - | - | - | 829,095,821.53 | 1,239,215,918.92 |
| (III) Profit distribution | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Appropriation of surplus reserves | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Appropriation of general risk provisions | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Distribution to shareholders | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - | - | - |
| (IV) Transfers within shareholders' equity | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Surplus reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Surplus reserves to recover loss | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - | - | - |
| (V) Special reserve | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Appropriation in the year | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Amount used in the year | - | - | - | - | - | - | - | - | - | - | - | - |
| (VI) Others | - | - | - | - | - | - | - | - | - | - | - | - |
| IV. At 31 December 2015 (Audited) | 3,571,464,000.00 | - | - | 4,693,739,636.75 | - | 1,365,139,143.54 | 222,546,638.14 | 135,391,961.13 | - | 4,998,475,946.37 | 18,380,403,800.14 | 33,357,161,188.07 |

Unaudited Statement of Changes in Shareholders' Equity of the Company

For the six months ended 30 June 2016

Unit: RMB

| Item | For the six months ended 30 June 2016 | | | | | | | | | | |
|--|---------------------------------------|--------------------------|----------------|--------|-------------------------|-----------------------|----------------------------|-----------------|-----------------------|-------------------------|----------------------------|
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profits | Total shareholders' equity |
| | | Preferred shares | Perpetual bond | Others | | | | | | | |
| I. At 31 December 2015 (Audited) | 3,571,464,000.00 | - | - | - | 6,846,568,164.66 | - | 1,313,060,431.58 | - | 128,103,195.48 | 326,347,369.25 | 12,185,543,160.97 |
| Add: changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - |
| Corrections of prior period accounting errors | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - |
| II. At 1 January 2016 (Audited) | 3,571,464,000.00 | - | - | - | 6,846,568,164.66 | - | 1,313,060,431.58 | - | 128,103,195.48 | 326,347,369.25 | 12,185,543,160.97 |
| III. Increase/decrease during the period (decrease to be listed with "-") | - | - | - | - | - | - | -283,284,706.18 | - | - | 689,080,161.51 | 405,795,455.33 |
| (I) Total comprehensive income | - | - | - | - | - | - | -283,284,706.18 | - | - | 796,224,081.51 | 512,939,375.33 |
| (II) Capital contribution and withdraw by shareholders | - | - | - | - | - | - | - | - | - | - | - |
| 1. Shareholders' ordinary share | - | - | - | - | - | - | - | - | - | - | - |
| 2. Capital contribution by holders of other equity instruments | - | - | - | - | - | - | - | - | - | - | - |
| 3. Share-based payment | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - | - |
| (III) Profit distribution | - | - | - | - | - | - | - | - | - | -107,143,920.00 | -107,143,920.00 |
| 1. Appropriation of surplus reserves | - | - | - | - | - | - | - | - | - | - | - |
| 2. Distribution to the shareholders | - | - | - | - | - | - | - | - | - | -107,143,920.00 | -107,143,920.00 |
| 3. Others | - | - | - | - | - | - | - | - | - | - | - |
| (IV) Transfers within shareholder's equity | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - |
| 2. Surplus reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - |
| 3. Surplus reserves to recover loss | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - | - |
| (V) Special reserve | - | - | - | - | - | - | - | - | - | - | - |
| 1. Appropriation in current period | - | - | - | - | - | - | - | - | - | - | - |
| 2. Amount used in current period | - | - | - | - | - | - | - | - | - | - | - |
| (VI) Others | - | - | - | - | - | - | - | - | - | - | - |
| IV. At 30 June 2016 (Unaudited) | 3,571,464,000.00 | - | - | - | 6,846,568,164.66 | - | 1,029,775,725.40 | - | 128,103,195.48 | 1,015,427,530.76 | 12,591,338,616.30 |

Unaudited Statement of Changes in Shareholders' Equity of the Company

For the six months ended 30 June 2016

Unit: RMB

| Item | For the year ended 31 December 2015 | | | | | | | | | | |
|--|-------------------------------------|--------------------------|----------------|--------|------------------|-----------------------|----------------------------|-----------------|-----------------|-----------------------|----------------------------|
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profits | Total shareholders' equity |
| | | Preferred shares | Perpetual bond | Others | | | | | | | |
| I. At 31 December 2014 (Audited) | 3,571,464,000.00 | - | - | - | 6,470,948,964.66 | - | 1,506,300,968.76 | - | 116,506,124.13 | 329,117,647.08 | 11,994,337,704.63 |
| Add: changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - |
| Corrections of prior period accounting errors | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - |
| II. At 1 January 2015 (Audited) | 3,571,464,000.00 | - | - | - | 6,470,948,964.66 | - | 1,506,300,968.76 | - | 116,506,124.13 | 329,117,647.08 | 11,994,337,704.63 |
| III. Increase/decrease during the year (decrease to be listed with "-") | - | - | - | - | 375,619,200.00 | - | -193,240,537.18 | - | 11,597,071.35 | -2,770,277.83 | 191,205,456.34 |
| (I) Total comprehensive income | - | - | - | - | - | - | -193,240,537.18 | - | - | 115,970,713.52 | -77,269,823.66 |
| (II) Capital contribution and withdraw by shareholders | - | - | - | - | 375,619,200.00 | - | - | - | - | - | 375,619,200.00 |
| 1. Shareholders' ordinary share | - | - | - | - | 375,619,200.00 | - | - | - | - | - | 375,619,200.00 |
| 2. Capital contribution by holders of other equity instruments | - | - | - | - | - | - | - | - | - | - | - |
| 3. Share-based payment | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - | - |
| (III) Profit distribution | - | - | - | - | - | - | - | - | 11,597,071.35 | -118,740,991.35 | -107,143,920.00 |
| 1. Appropriation of surplus reserves | - | - | - | - | - | - | - | - | 11,597,071.35 | -11,597,071.35 | - |
| 2. Distribution to the shareholders | - | - | - | - | - | - | - | - | - | -107,143,920.00 | -107,143,920.00 |
| 3. Others | - | - | - | - | - | - | - | - | - | - | - |
| (IV) Transfers within shareholders' equity | - | - | - | - | - | - | - | - | - | - | - |
| 1. Capital reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - |
| 2. Surplus reserves transfer to share capital | - | - | - | - | - | - | - | - | - | - | - |
| 3. Surplus reserves to recover loss | - | - | - | - | - | - | - | - | - | - | - |
| 4. Others | - | - | - | - | - | - | - | - | - | - | - |
| (V) Special reserve | - | - | - | - | - | - | - | - | - | - | - |
| 1. Appropriation in the year | - | - | - | - | - | - | - | - | - | - | - |
| 2. Amount used in the year | - | - | - | - | - | - | - | - | - | - | - |
| (VI) Others | - | - | - | - | - | - | - | - | - | - | - |
| IV. At 31 December 2015 (Audited) | 3,571,464,000.00 | - | - | - | 6,846,568,164.66 | - | 1,313,060,431.58 | - | 128,103,195.48 | 326,347,369.25 | 12,185,543,160.97 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

I. COMPANY PROFILE

China National Materials Company Limited (hereinafter referred to as “the Company”, or collectively “the Group” if subsidiaries are included) has been restructured from China Non-Metallic Materials Corporation which is a secondary enterprise owned by the whole people subordinated to China National Materials Group Corporation Ltd. (hereinafter referred to as “Sinoma Group”), and has been established by Sinoma, together with other sponsors including Taian State-owned Assets Management Co., Ltd. (hereinafter referred to as “Taian State-owned Assets”), China Cinda Asset Management Co., Ltd. (hereinafter referred to as “Cinda”), BBMG Group Co., Ltd. (hereinafter referred to as “BBMG”), Well Kent International Holdings Co., Ltd. (hereinafter referred to as “Well Kent”), Xinjiang Tianshan Building Materials (Group) Co., Ltd. (hereinafter referred to as “Tianshan Building Materials”) and Zibo New & Hi-tech Venture Capital Co., Ltd. (hereinafter referred to as “Zibo Hi-tech”), with contribution in the forms of evaluated net assets, equities and monetary funds, in accordance with the *Reply of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on Restructuring of Owner’s Assets and Overseas Listing of China National Materials Group Corporation Ltd.* (GZGG [2007] No. 313) and the *Approval of the State-owned Assets Supervision and Administration Commission of the State Council Concerning the Adjustment of Limited Liability Company Sponsors by China National Materials Group Corporation Ltd.* (GZTGG [2007] No. 366).

The Company obtained the renewed *Business License of Enterprise Legal Person* (No. 1000001000610) issued by the State Administration for Industry & Commerce on 31 July 2007, with RMB2,500 million of registered capital. The address is No. 11, Beishuncheng Street, Xizhimennei, Xicheng District, Beijing. The shareholders and their shareholding proportion are listed below:

| Shareholder Name | Share capital | Proportion |
|--|---------------|------------|
| China National Materials Group Corporation Ltd. | 1,565,202,629 | 62.61% |
| Taian State-owned Assets Management Co., Ltd. | 324,459,649 | 12.97% |
| China Cinda Asset Management Co., Ltd. | 319,788,108 | 12.79% |
| Well Kent International Holdings Co., Ltd. | 130,793,218 | 5.23% |
| Xinjiang Tianshan Building Materials (Group) Co., Ltd. | 67,377,080 | 2.70% |
| BBMG Group Co., Ltd. | 65,396,609 | 2.62% |
| Zibo New & Hi-tech Venture Capital Co., Ltd. | 26,982,707 | 1.08% |
| Total | 2,500,000,000 | 100.00% |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

I. COMPANY PROFILE (Continued)

On 15 November 2007, according to the Reply of China Securities Regulatory Commission on Approval of Issuing Overseas Listed Foreign Shares for China National Materials Group Corporation Ltd. (ZJGHZ [2007] No. 37), the Company was approved to issue not more than 1,071,465,340 overseas listed foreign shares which are all ordinary shares with a par value of RMB1.00 per share. Sinoma Group, Taian State-owned Assets, Cinda, BBMG, Well Kent, Tianshan Building Materials and Zibo Hi-tech transferred not more than 92,684,230 state-owned shares to the National Council for Security Fund into overseas listed foreign shares. On 7 December 2007, the Company issued a Prospectus to issue 931,708,000 H shares for global investors with a par value of RMB1.00 per share. After the issuance, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited on 20 December 2007. On 3 January 2008, the Company exerted its overallotment option to issue 139,756,000 H shares for global investors with a par value of RMB1.00 per share. After the issuance, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited on 11 January 2008. Meanwhile, the state-owned shareholder of the Company transferred its 92,684,115 state-owned shares to the National Council for Social Security Fund.

After the issuance, the registered capital of the Company applied for registration was RMB3,571,464,000 which was verified by Reanda Certified Public Accountants by issuing the capital verification report (LADYZ [2008] No. 1003).

In April 2009, Taian State-owned Assets transferred its 309,786,095 shares of the Company to Taian Taishan Investment Co., Ltd. (hereinafter referred to as "Taishan Investment") in accordance with the Reply of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on Issues Concerning Transfer of Shares Held by the State-owned Shareholder of China National Materials Company Limited (GZCQ [2009] No. 171). The registration of transfer was completed by China Securities Depository and Clearing Co., Ltd. on 27 April 2009.

As of 30 June 2016, the legal representative of the Company was Liu Zhijiang and the shareholders and their contribution proportion are as follows:

| Shareholder Name | Share capital | Proportion |
|--|---------------|------------|
| China National Materials Group Corporation Ltd. | 1,494,416,985 | 41.84% |
| China Cinda Asset Management Co., Ltd. | 319,788,108 | 8.96% |
| Taian Taishan Investment Co., Ltd. | 309,786,095 | 8.67% |
| Well Kent International Holdings Co., Ltd. | 130,793,218 | 3.66% |
| Xinjiang Tianshan Building Materials (Group) Co., Ltd. | 64,329,980 | 1.80% |
| BBMG Group Co., Ltd. | 62,439,074 | 1.75% |
| Zibo New & Hi-tech Venture Capital Co., Ltd. | 25,762,425 | 0.72% |
| Shareholders of public H shares | 1,164,148,115 | 32.60% |
| Total | 3,571,464,000 | 100.00% |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

I. COMPANY PROFILE (Continued)

The Company has its Board of Directors of which the function is to manage and control important decisions and routine work of the Company.

The controlling shareholder of the Company is Sinoma Group and ultimate holding party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The Company has 11 subsidiaries including Sinoma International Engineering Co., Ltd. (hereinafter referred to as “Sinoma International”), Sinoma Science & Technology Co., Ltd. (hereinafter referred to as “Sinoma Science & Technology”), Xinjiang Tianshan Cement Co., Ltd. (hereinafter referred to as “Tianshan Cement”), Ningxia Building Materials Group Co., Ltd. (hereinafter referred to as “Ningxia Building Materials”) and Gansu Qilianshan Building Materials Holdings Co., Ltd. (hereinafter referred to as “Qilianshan Holdings”).

Main business scope of the Group covers the following: dispatching abroad workers for implementation of overseas construction projects; general business items: research, development, production and sales of inorganic non-metal materials; design, production and sales of products manufactured with application of inorganic non-metal materials; EPC; engineering consultation and design; import and export; lease of construction and mining machineries and sales of relevant accessories; technical consultation and technical services related to the above-mentioned business.

Main business of the Group is divided into three segments: cement equipment and engineering services, cement, and high-tech materials.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements of the Group remains unchanged compared with the previous period and contains 11 subsidiaries including Sinoma International, Sinoma Science & Technology, Ningxia Building Materials and Qilianshan Holdings. For details, please see “VII. Interest in other entities” in the Notes.

III. PREPARATION BASIS OF FINANCIAL STATEMENTS

(1) Preparation basis

On the going-concern basis, the financial statements of the Group have been prepared in accordance with actually-occurring transactions and items, the Accounting Standards for Business Enterprise (herein after referred to as “ASBE”) issued by the Ministry of Finance and other relevant regulations, based on the accounting policies and accounting estimates specified in “IV. Significant accounting policies and accounting estimates” in the Notes.

(2) Going concern

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

Notes to Unaudited Financial Statements

*For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)*

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration on Compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Business Cycle

The Group takes 12 months as a business cycle.

4. Recording currency

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

5. Accounting treatment methods for business combination under common control and not under common control

The assets and liabilities acquired by the Group, as the combination party, from business combination under common control should be measured based on the book value in the ultimate holding party consolidated statements of the combination party on the combination date. The difference between the book value of the net assets acquired and that of the paid combination consideration shall be used to adjust the capital reserve. Where the capital reserve is insufficient for offset, retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in the business combination not under common control are measured at fair value on the acquisition date. The combination costs are the sum of the fair value of cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Group on the acquisition date for acquiring control over the acquiree, and all costs directly related to the business combination (for business combination achieved in stages through multiple transactions, the combination costs are the sum of costs of all individual transactions). Where the combination costs are greater than the share of fair value of identifiable net assets acquired from the acquiree in the business combination, the difference thereof is recognized as goodwill. Where the combination costs are less than the share of fair value of identifiable net assets acquired from the acquiree in the business combination, the fair value of all identifiable assets, liabilities and contingent liabilities acquired from the business combination, as well as the fair value of non-cash assets of the consideration or the issued equity securities etc., are rechecked. Where the combination costs are, after rechecking, still less than the share of fair value of net identifiable assets acquired from the acquiree in the business combination, the difference is included in current non-operating income.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation method of consolidated financial statements

The Group includes all of its subsidiaries in the scope of consolidated financial statements.

In preparing the consolidated financial statements, where the accounting policy or accounting period adopted by subsidiaries are inconsistent with that adopted by the Company, financial statements of subsidiaries shall be adjusted according to the accounting policy and accounting period of the Company.

All significant internal transactions, balances and unrealized profits within the scope of consolidation shall be eliminated during preparation of consolidated financial statements. The share of subsidiary owner's equity not attributable to the parent company and the share of minority interest in the current net profits and losses, other comprehensive income and total comprehensive income must be respectively listed under "minority interests, minority interests, other comprehensive income attributable to minority interests, and total comprehensive income attributable to minority interests" in the consolidated financial statements.

For the subsidiary acquired in the business combination under common control, its financial performance and cash flow are included in the consolidated financial statements from the beginning of the current period of the combination. During preparation of comparative consolidated financial statements, relevant items of the financial statements of the previous period shall be adjusted. It shall be deemed that the reporting entity formed after the combination has existed since the beginning of control by the ultimate holding party.

For the subsidiary acquired in the business combination not under common control, its financial performance and cash flow are included in the consolidated financial statements since the date when the Group acquires the control rights. In preparing of consolidated financial statements, financial statements of the subsidiary are adjusted based on the fair value of all identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

7. Cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and high liquidity, and is easily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

8. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transaction

The amount of transactions in foreign currency shall be translated into that in RMB at the spot exchange rate on the transaction date. Monetary items calculated in foreign currency in the balance sheet are translated into RMB at the spot exchange rate on the balance sheet date; the exchange balance is directly included in current profits and losses, except the disposal of exchange balance that is formed by foreign currency borrowings for acquiring or constructing assets eligible for capitalization as per capitalization principle.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Foreign currency transactions and conversion of foreign currency financial statements (Continued)

(2) Translation of foreign currency financial statements

The asset and liability items in the foreign currency balance sheet shall be translated at the spot exchange rate on balance sheet date; shareholders' equity items, except for "undistributed profit", shall be translated at the spot exchange rate at the time of transaction; and the income and expenditure items in the income statement shall be translated at the spot exchange rate on the transaction date. The difference arising from the above translation shall be listed in other comprehensive income items. Foreign currency cash flow is translated at the spot exchange rate on the date when cash flow occurs. The amount of effect of exchange rate fluctuations on cash shall be separately listed in the cash flow statement.

9. Financial assets and financial liabilities

The Group shall recognize one financial asset or financial liability when it becomes one of the parties to financial instrument contract.

(1) Financial assets

1) *Classification, recognition and measurement of financial assets*

Financial assets are classified by the Group into four categories according to the investment purposes and economic essence: financial assets at fair value through profit or loss, held-to-maturity investments, receivables, and available-for-sale financial assets.

Financial assets measured at fair value through profit or loss are trading financial assets. The Group classifies a financial asset meeting any of the following conditions as a trading financial asset: A. the financial asset is acquired to sell it in a short time; B. it belongs to a part of an identifiable financial instrument portfolio under centralized management, and there is objective evidence showing that the company uses the short-term profit method to manage this portfolio recently; C. it is a derivative instrument except the one that is designated and belongs to the derivative instrument of effective hedging instrument, or is the derivative instrument of financial guarantee contract, or is linked to the equity instrument investment without quotation in the active market and with fair value unable to be reliably measured, and must be settled by delivery of this equity instrument. Trading financial assets of the Group mainly include forward foreign exchange contract and open-end monetary funds that are subsequently measured at fair value with the changes in fair value included in the profit/gain arising from changes in fair value; cash dividends gained during holding of the assets that are recognized as investment income (at the disposal, the difference between the fair value and the initial entry amount is recognized as investment income and profit/gain arising from changes in fair value is adjusted at the same time).

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

1) *Classification, recognition and measurement of financial assets (Continued)*

Held-to-maturity investment refers to non-derivative financial assets which have fixed maturity date, fixed or determinable recoverable amount and for which the Group has clear intention and capability to hold to maturity. Held-to-maturity investment should be subsequently measured at the amortized cost by the effective interest rate method, and all the profits or losses incurred due to the derecognition, impairment or amortization should be included in current profits and losses.

Receivables refer to non-derivative financial assets which have no quotation in the active market, but have fixed or determinable recoverable amount. They should be measured subsequently at the amortized cost by the effective interest rate method, and all the profits or losses incurred due to the derecognition, impairment or amortization should be included in current profits and losses.

Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale at the time of initial recognition, and financial assets not classified to and other class. Equity instrument investments without quotation in the active market and with fair value unable to be reliably measured, and derivative financial assets which are linked to the equity investment and should be settled by delivery of the equity instrument shall be measured at cost; other financial assets with quotation in the active market or without quotation in the active market but with fair value able to be reliably measured shall be initially recognized and subsequently measured at the fair value. Except impairment losses and exchange gain/loss arising from foreign currency monetary assets, changes in fair value of available-for-sale financial assets shall be included in other comprehensive income. At the derecognition of the financial assets, the accumulated amount of changes in fair value which has been included in other comprehensive income before shall be transferred to current profits and losses. Cash dividends which are declared to distribute by the invested entity and related to equity instrument investments available for sale shall be included in current profits and losses as investment income.

2) *Recognition basis and measuring method for transfer of financial assets*

Financial assets should be derecognized where any of the following conditions is met: ① the contractual right to acquire cash flow of the said financial assets is terminated; ② the financial assets have been transferred and almost all risks and rewards from the ownership of the said financial assets are transferred by the Group to the transferee; ③ the financial assets have been transferred and the transferor waives its control over the said assets, despite the transferor has not transferred or retained any risks and rewards from the ownership of the said financial assets.

Where the enterprise neither transfers nor retains any risk or reward on the financial asset ownership, if the control over the financial assets is not waived, relevant financial assets should be recognized according to the extent to which they are involved in the transferred financial assets, and relevant liabilities should be recognized correspondingly.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

2) *Recognition basis and measuring method for transfer of financial assets (Continued)*

If the entire transfer of the financial assets meets derecognition conditions, the difference between the book value of transferred financial assets and the sum of consideration received from the transfer and accumulated amount of changes in fair value previously recognized in other comprehensive income should be included in current profits and losses.

Where the partial transfer of the financial assets meets derecognition conditions, the book value of the transferred financial assets should be appointed between the derecognized and non-derecognized portions as per their relative fair values respectively; and the difference between the sum of consideration received from the transfer and accumulated amount of changes in fair value previously recognized in other comprehensive income and appointed to the derecognized portion, and the aforesaid book value appointed should be included in current profits and losses.

3) *Test and accounting treatment methods for impairment of financial assets*

The Group assesses the book value of financial assets, expect for the financial assets at fair value through profit or loss, on the balance sheet date. If there is objective evidence showing impairment of any financial asset item, the impairment provision shall be drawn.

In case of impairment of financial assets measured at amortized cost, the impairment provision will be drawn according to the balance between the expected future cash flow (excluding the future credit loss which has not happened yet) and the book amount. If there is objective evidence showing that the value of the financial assets is recovered and it is objectively related to the matters that happen after the impairment is recognized, the impairment loss recognized before should be reversed and included in current profits and losses.

In case of substantial or non-temporary decline of fair value of available-for-sale financial assets, the accumulated loss due to decline of the fair value which has been directly included in the other comprehensive incomes shall be transferred out and included in impairment loss. As for equity instrument investment available for sale whose impairment loss has been recognized, the increase of fair value in periods following shall be directly included in owner's equity.

(2) Financial liabilities

1) *Classification, recognition and measurement of financial liabilities*

Financial liabilities of the Group are classified, at the time of initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial assets and financial liabilities (Continued)

(2) Financial liabilities (Continued)

1) *Classification, recognition and measurement of financial liabilities (Continued)*

Financial liabilities at fair value through profit or loss are trading financial liabilities. The Group classifies a financial liability meeting any of the following conditions as a trading financial liability: A. the financial liability is acquired to sell it in a short time; B. it belongs to a part of an identifiable financial instrument portfolio under centralized management, and there is objective evidence showing that the company uses the short-term profit method to manage this portfolio recently; C. it is a derivative instrument except the one that is designated and belongs to the derivative instrument of effective hedging instrument, or is the derivative instrument of financial guarantee contract, or is linked to the equity instrument investment without quotation in the active market and with fair value unable to be reliably measured, and must be settled by delivery of this equity instrument. Trading financial liabilities of the Group are forward foreign exchange contracts that are subsequently measured at fair value with the changes in fair value included in the profit/gain arising from changes in fair value (at the disposal, the difference between the fair value and the initial entry amount is recognized as investment income and profit/gain arising from changes in fair value is adjusted at the same time).

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

2) *Derecognition conditions of financial liabilities*

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. The difference between the book value of the derecognized part and the paid consideration shall be included in current profits and losses.

(3) *Determination methods for fair value of financial assets and financial liabilities*

The Group measures the fair value of financial assets and financial liabilities, based on the prices of major markets or the price of the most advantageous market in case of no major market, and employ the valuation techniques currently available and supported by sufficient valid data and other information. The inputs for measuring the fair value are divided into three levels: the inputs for Level 1 are the unadjusted quotation of identical assets or liabilities in the active market which can be obtained on the measurement date; the inputs for Level 2 are the inputs directly or indirectly observable for relevant assets or liabilities other than those for Level 1; and the inputs for Level 3 are the inputs that are unobservable for relevant assets or liabilities. The Group gives priority to the inputs for Level 1 and then relevant observable inputs. Unobservable inputs can be used only when relevant observable inputs cannot be obtained or the obtainment is infeasible. At the end of the year, the available-for-sale financial assets measured at fair value shall use inputs for Level 1, and derivative financial instruments shall use inputs for Level 2. The lowest level that has significant impact on the overall fair value measurement determines which level this fair value measurement result shall belong to.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Bad debt provision for receivables

The Group will check the book value of receivables on the balance sheet date and recognize the following items as bad debt loss: debts that cannot be repaid due to production halt within foreseeable time due to revocation, bankruptcy, insolvency, serious shortage of cash flow of the debtor, and occurrence of severe natural disasters to the debtor; receivables with other conclusive evidence indicating that they cannot be recovered or can barely be recovered.

The Group applies the allowance method for the accounting of potential bad debts and performs the impairment test separately or integrally in the end of period, with accrued bad-debt provision included in current profit and loss. As for receivables for which there is authentic evidence showing that they are impossible to be recovered, the Group will recognize them as bad debt loss after approval through specified procedures and write off the drawn bad debt provision.

(1) Receivables that are individually significant and are provided for bad debts on individual basis

| | |
|--|---|
| Judgment basis or amount standard of individually significant receivable | Regard receivables more than RMB10 million as individually significant receivables |
| Method of provision for individually significant receivables on individual basis | For receivables for which there is objective evidence showing that the full amount cannot be recovered as per original terms of the receivable, impairment test shall be conducted separately and the provision for bad debts shall be drawn according to the difference between the present value of expected future cash flow and the book value thereof. |

(2) Receivables with bad debt provision drawn as per portfolio of credit risk features

| | |
|--|---|
| Method for bad-debt provision withdrawn by portfolio | Drawing of bad debt provision by aging analysis |
| Account age portfolio | |

- 1) Except second-level companies of the Group, including Sinoma International, Sinoma Science & Technology, Ningxia Building Materials and Xiamen ISO Standard Sand Co., Ltd. (hereinafter referred to as "Xiamen Standard Sand"), the drawing proportion of bad debt provision for receivables and other receivables of the Group and other subsidiaries divided based on account age portfolio is listed as follows:

| Account Age | Proportion of Accounts Receivable (%) | Proportion of Other Receivables (%) |
|---------------|---------------------------------------|-------------------------------------|
| Within 1 year | 5 | 5 |
| 1-2 years | 10 | 10 |
| 2-3 years | 20 | 20 |
| 3-4 years | 50 | 50 |
| 4-5 years | 80 | 80 |
| Over 5 years | 100 | 100 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Bad debt provision for receivables (Continued)

(2) Receivables with bad debt provision drawn as per portfolio of credit risk features (Continued)

- 2) The drawing proportion of bad debt provision for receivables of Sinoma International, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

| Account Age | Proportion of Accounts Receivable (%) | Proportion of Other Receivables (%) |
|--------------------|--|--|
| Within 1 year | 5 | 5 |
| 1-2 years | 10 | 10 |
| 2-3 years | 20 | 20 |
| 3-4 years | 80 | 80 |
| Over 4 years | 100 | 100 |

- 3) The drawing proportion of bad debt provision for receivables of Sinoma Science & Technology, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

| Account Age | Proportion of Accounts Receivable (%) | Proportion of Other Receivables (%) |
|--------------------|--|--|
| 1-6 months | 2 | 2 |
| 7-12 months | 5 | 5 |
| 1-2 years | 20 | 20 |
| 2-3 years | 50 | 50 |
| Over 3 years | 100 | 100 |

- 4) The drawing proportion of bad debt provision for receivables of Ningxia Building Materials, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

| Account Age | Proportion of Accounts Receivable (%) | Proportion of Other Receivables (%) |
|--------------------|--|--|
| Within 1 year | 3 | 3 |
| 1-2 years | 10 | 10 |
| 2-3 years | 20 | 20 |
| 3-4 years | 50 | 50 |
| 4-5 years | 80 | 80 |
| Over 5 years | 100 | 100 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Bad debt provision for receivables (Continued)

(2) Receivables with bad debt provision drawn as per portfolio of credit risk features (Continued)

- 5) The drawing proportion of bad debt provision for receivables of Xiamen Standard Sand, which is a second-level company of the Group, divided based on account age portfolio is listed as follows:

| Account Age | Drawing Proportion of Accounts Receivable (%) | Drawing Proportion of Other Receivables (%) |
|--------------------|--|--|
| Within 1 year | 5 | 5 |
| 1-2 years | 10 | 10 |
| 2-3 years | 30 | 30 |
| 3-4 years | 50 | 50 |
| 4-5 years | 80 | 80 |
| Over 5 years | 100 | 100 |

(3) Receivables that are individually insignificant but drawn bad debt individually

| | |
|---|---|
| Reason for drawing of bad debt provision on individual item | Receivables with insignificant individually amount and bad debt provision drawn by portfolio not reflecting risk features of the receivables |
| Drawing method for bad debts provision | For receivables for which there is objective evidence showing that the full amount cannot be recovered as per original terms of the receivable, impairment test shall be conducted separately and the provision for bad debts shall be drawn according to the difference between the present value of expected future cash flow and the book value thereof. |

11. Inventories

The inventories of the Group mainly include raw materials, products in process, goods in stock, completed but unsettled assets formed through construction contracts, goods in transit, etc.

The contract costs of the Group actually incurred from construction contracts include direct and indirect costs. The direct costs include material cost, labor cost, machinery expenses and other direct expenses; while the indirect costs are expenses incurred by construction units or production units subordinated to the Group for organization and management of construction and production activities. For project construction, where the accumulated incurred contract cost and recognized gross profit is greater than the settled payment, the difference shall be reflected in inventories. Where the settled payment is greater than the accumulated incurred cost and recognized gross profit, the difference shall be reflected in other current liabilities.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Inventories (Continued)

Inventories shall be subject to the perpetual inventory system and valued according to the actual cost when acquired. The acquired or sent shall be calculated by the Group with the weighted average method. Low value consumables and packing materials shall be amortized in full when used.

Ending inventories are valued by the cost or net realizable value, whichever is lower. For estimated irrecoverable part of cost due to inventory damage, obsolescence of all or partial inventories, or sale price lower than the cost, inventory impairment provisions are drawn. Inventory impairment provisions for goods in stock and bulk raw materials are drawn based on the difference between the cost of single inventory item and its net realizable value; for other numerous raw and auxiliary materials with low prices, inventory impairment provisions are drawn based on their categories.

As to inventories arising from construction contract, the Group shall check the construction contract term by term at the end of the period. When the expected total cost of the construction contract exceeds the expected total income of the contract, the inventory impairment provision shall be drawn as per the difference between the contract cost not yet occurring and the income not yet recognized.

For goods inventory directly available for sale such as goods in stock, products in process, and materials available for sale, its net realizable value is determined as per the estimated selling price deducting estimated selling expenses and relevant taxes; for material inventory held for production, its net realizable value is determined as per the estimated price of finished product deducting estimated cost till the completion date, estimated selling expenses, and related taxes. For inventory held for implementing sales contract or labor service contract, the net realizable value shall be calculated based on the contract price. If the quantity of inventories held is greater than ordered quantity of the sales contract, the net realizable value of the excessive part shall be calculated based on the general selling price.

12. Classification as assets held for sale

Components (or non-current assets, the same below) meeting the following conditions shall be classified as assets available for sale: (1) components under current conditions can be immediately available for sale only pursuant to general and common terms for selling such components; (2) the Group has made a resolution on disposal of the components and approval from the shareholder's meeting or competent authority has been obtained if approval from the shareholders is required; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) such transfer will be completed within one year.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments

The Group's long-term equity investments are mainly investments into subsidiaries, associates, and joint ventures.

The Group's criterion for joint control is that all parties or group of parties jointly control the arrangement, and policies of relevant activities of the arrangement must be subject to unanimous consent of parties sharing the control.

It is generally considered that the Group, when holding, directly or indirectly through subsidiaries, more than 20% (included) but less than 50% of the voting right of the invested entity, has a significant influence on the invested entity. The Group, if holding less than 20% of voting right of the invested entity, may have a significant influence on the invested entity in consideration of facts and situation that the Group sends representatives to the Board of Directors or similar organs of authorities of the invested entity, participates in financial and operation policy making of the invested entity, has important transactions with the invested entity, sends management personnel to the invested entity, or provides critical technical information for the invested entity.

When control over the invested entity exists, the invested entity becomes subsidiary of the Group. As to long-term equity investments acquired in business combination under common control, the share of book value of net assets in the ultimate holding party's consolidated statements of the acquiree on the combination date shall be recognized as the initial investment cost of long-term equity investment. Where book value of net assets of the acquiree on the combination date is negative, the long-term equity investment cost is determined as zero.

For long-term equity investment acquired via business combination not under common control, the combination cost is taken as the initial investment cost.

As to equity of the investee entity not under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group will perform accounting treatment by regarding all transactions as a transaction for acquiring control. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity originally held before the acquisition date and calculated by the equity method, relevant other comprehensive income originally figured out by the equity method is temporarily not adjusted and will be subject to accounting treatment when disposing the investment, on the same basis as that adopted by the invested entity for directly handling related assets or liabilities. If the equity held before the acquisition date is calculated by fair value in the available-for-sale financial assets, the accumulated changes in fair value originally included in other comprehensive incomes are transferred into current investment profit or loss on the combination date.

Apart from aforementioned long-term equity investment acquired through business combination, as to long-term equity investment acquired by cash payment, the actually paid amount is taken as investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment invested by investors, the value specified in investment contract or agreement is taken as the investment cost.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

The Group uses the cost method to calculate investments in subsidiaries and equity method to calculate investments in associates and joint ventures.

For long-term equity investments subsequently calculated by the cost method, when more investments are added, the book value of the long-term equity investment cost is increased based on the cost paid for additional investments or the fair value and related transaction expenses. Cash dividend or profit declared by the invested entity is recognized as current investment income in accordance with the amount to enjoy.

For long-term equity investments subsequently calculated by the equity method, the book value of long-term equity investment is increased or decreased accordingly with variance of owner's equity of the invested entity. When determining the share of net profit to enjoy in the invested entity, the Group will adjust and recognize the net profits of invested entity based on the fair value of identifiable assets in the invested entity when investments are acquired, as well as its accounting policies and accounting period, by offsetting internal profit and loss incurred in transactions with joint ventures and associates and by calculating the share attributable to the investing enterprise based on the shareholding proportion.

For the disposal of long-term equity investment, the difference between the book value and actually obtained price shall be included in current investment income. For the long-term equity investment calculated by equity method which has been included in the owner's equity due to other changes in owner's equity (excluding the net profit or loss) of the invested entity, when disposed of, the part which has been included in the owner's equity of such investment shall be transferred to current profits and losses according to corresponding proportion.

14. Investment properties

Investment properties of the Group includes the land use rights which have already been rented, the land use rights held for transfer after appreciation and premises and buildings which have already been rented. The investment real estate of the Group is measured at cost.

The investment properties of the Group shall be depreciated or amortized by the cost model. The estimated service life, net residual rate and annual rate of depreciation (amortization) of investment real estates are as follows:

| Category | Period of Depreciation (Year) | Estimated Residual Rate (%) | Annual Rate of Depreciation (%) |
|------------------------|--------------------------------------|------------------------------------|--|
| Land Use Right | 40-50 | | 2.00-2.50 |
| Premises and Buildings | 20-45 | 4-5 | 2.11-6.00 |

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Investment properties (Continued)

When investment properties is converted for self-use, such real estate shall be changed into fixed assets or intangible assets since the date of conversion. When real estate for self-use is converted for earning rent or capital appreciation, fixed assets or intangible assets shall be changed into investment real estate since the date of conversion. When conversion occurs, book value prior to conversion shall be the entry value after conversion.

If an investment properties is disposed of or withdrawn permanently from use and no economic benefit can be obtained from the disposal, the investment real estate shall be derecognized. The disposal income from selling, transferring, discarding or damaging investment real estate shall be deducted by the book value and relevant taxes thereof and then included in current profits and losses.

15. Fixed assets

The fixed assets of the Group feature the following characteristics: tangible assets with a high unit value and held for the sake of producing goods, rendering services, renting or operating management, with a service life in excess of one year.

Fixed assets shall be recognized only when the related economic benefits are likely to flow into the Group and the costs can be measured reliably. Fixed assets consist of premises, buildings, machinery equipment, electronic equipment, transportation equipment, office equipment and others.

Except for the fully depreciated fixed assets that are still in use and the land that is separately valued and recorded, all the fixed assets of the Group shall be depreciated.

The Group draws depreciation for premises, buildings, machinery equipment, transportation equipment and office equipment by straight-line method and separately includes the depreciation in the costs of relevant assets or current expenses according to the purpose. The following table shows period of depreciation, estimated net residual rate, and rate of depreciation for fixed assets of the Group by category:

| S/N | Category | Period of Depreciation (year) | Estimated Residual Rate (%) | Annual Rate of Depreciation (%) |
|-----|--------------------------|-------------------------------|-----------------------------|---------------------------------|
| 1 | Premises and buildings | 16-45 | 3-5 | 2.11-6.00 |
| 2 | Machinery equipment | 5-20 | 0-5 | 4.75-20.00 |
| 3 | Transportation equipment | 5-12 | 0-5 | 7.92-20.00 |
| 4 | Office equipment | 3-12 | 0-5 | 7.92-33.33 |

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed assets (Continued)

In Taishan Fiberglass Inc. (hereinafter referred to as “CTG”), a second-level company of the Group, the main component material of the main production equipment for production of fiberglass is precious metal. CTG carries out regular maintenance according to the wear of the equipment. The wear can be compensated through repair and the using functions can be maintained. Therefore, in daily accounting, the wear amount actually incurred shall be included in production cost. In Sinoma Science & Technology, also a second-level company of the Group, the wind power blade mould is depreciated as per the frequency of usage (400 blades) and other moulds are depreciated as per the service life (3 years). In Sinoma International, also a second-level company, the asset of any contracted energy management project shall be depreciated as per the sharing period. A contracted energy management project refers to business mode in which an energy-saving service contract is signed with any customer willing to perform transformation of energy saving and environmental protection, comprehensive services such as energy efficiency audit, energy-saving project design, equipment procurement, construction, operation & maintenance, and detection of energy saving quantity are provided for the customer, and the energy-saving benefits after implementation of the project is shared with the customer. After the sharing period, ownership of the asset arising from the project shall be transferred from the service party to the service object.

At the end of each year, The Group rechecks the estimated service life, estimated net residual value and depreciation method of the fixed assets. Any change shall be handled as changes in accounting estimates.

For fixed assets acquired by financial lease, the entry value of such assets shall be the fair value of such assets and the present value of the minimum lease payment, whichever is lower. The difference between the entry value and the minimum lease payment shall be deemed as unrecognized financing cost.

The depreciation policies of fixed assets acquired by financial lease shall be consistent with those of self-owned fixed assets. For fixed assets, if it can be reasonably confirmed that the ownership can be granted when the lease term expires, the depreciation shall be drawn within the service life of the acquired leasing assets; otherwise, the depreciation shall be drawn within the lease term or the service life of leasing assets, whichever is shorter.

16. Construction in progress

Construction in progress ready for intended use shall be transferred to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment properties and inventories that require more than one year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements are acquired or constructed are ready for use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in current profits and losses. If assets eligible for capitalization are suddenly suspended in acquisition or construction or production for more than three months continuously, the capitalization of borrowing costs shall be suspended until the restart of acquisition or construction and production activities of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from unused borrowings deposited in banks or investment income from temporary investment of unused borrowings is deducted. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined based on the weighted average interest rate of the general borrowings.

18. Intangible assets

The intangible assets of the Group, including the land use rights, mining rights, exploration rights, software, patented technology, non-patented technology, franchise rights, customer contracts and customer resources, are measured based on the actual cost when acquired. Intangible assets are measured at their actual cost when acquired. The actual cost of purchased intangible assets is the actual purchase price and other necessary expenditures on purchase. The actual cost of intangible assets invested by investors is measured at the value specified in the investments contract or agreements. In case the specified value of the contracts or agreements is not fair, the assets are measured at fair value. Intangible assets acquired in business merger under different control, previously held by the acquiree, but not recognized in the financial statements of the acquiree, shall be recognized as intangible assets at the fair value at the initial recognition of assets of the acquiree.

Land use rights shall be amortized from the date of transfer on an average basis for the term of transfer. Software, patented technology, non-patented technology and other intangible assets shall be amortized on an average basis by stages according to the estimated service life, benefit life under contract, and effective period under laws, whichever is the shortest. The amortized amounts shall be included in current profits and losses and relevant asset costs according to beneficiaries.

The estimated service life and the amortization method of intangible assets with limited service life shall be reviewed at the end of each year. Any change shall be handled as changes in accounting estimates. In each accounting period, the Group rechecks the estimated service life and amortization method of intangible assets with uncertain service life.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

Research and development expenditures of the Group are classified into expenditures in research stage and development stage depending on the nature and whether there is material uncertainty that the research and development activities can form intangible assets at the end. The expenditures in research stage shall be included in current profits and losses when incurred. The expenditures in development stage shall be recognized as intangible assets when meeting the following conditions:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) There is an intention to complete the intangible asset and use or sell it;
- (3) There exists market for products produced by using the intangible assets or market of the intangible assets;
- (4) Adequate technical, financial and other resources are available to complete the development of the intangible assets, and it is able to use or sell the intangible assets; and
- (5) The expenditures attributable to the intangible assets during the development can be reliably measured.

The expenditures in development stage which do not meet the above conditions shall be included in current profits and losses when incurred. Development expenditures included in profits or losses before will not be recognized as assets in subsequent period. The capitalized expenditures in development stage shall be listed in the balance sheet as development expenditures and transferred into intangible assets when the R&D project is ready for intended use.

19. Impairment of long-term assets

On each balance sheet date, the Group shall check the long-term equity investment, investment properties measured by cost model, fixed assets, construction in progress, intangible assets with limited service life, and other items. In case of any indication of impairment, the Group shall carry out an impairment test. Impairment tests shall be conducted on goodwill and intangible assets with uncertain service life at the end of each year, whether there is any indication of impairment.

If the impairment test shows that the book value of the asset is greater than its recoverable value, the difference between the two shall be recognized as impairment loss. Such impairment loss, once recognized, shall not be reversed in subsequent accounting period.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Long-term prepayments

Long-term prepayments of the Group include project agency fee, compensation fee, construction cost, quarry site stripping fee and house decoration cost. Such expenses shall be evenly amortized in the benefit period. If the long-term prepayments cannot benefit the future accounting period, the amortized value of unamortized items shall be all transferred to current profits and losses.

21. Employee benefits

Employee benefits includes short-term employee remunerations, post-employment benefits, termination benefits and other long-term welfare.

- (1) Short-term remunerations mainly include salaries, bonuses, allowances & subsidiaries, employee welfare, social insurance premiums, housing funds, labor union expenditures and personnel education fund. During the accounting period when the employees provide services for the Group, the actual short-term remunerations are recognized as liabilities, and included in current profits or losses or relevant asset cost based on different beneficiaries.
- (2) Post-employment benefits includes basic endowment insurance, unemployment insurance, enterprise annuity and supplementary welfares provided by the Group for the retired employees and is classified as defined contribution plan and defined benefit plan depending on the risk and obligation the Company bears.

As for the defined contribution plan, the contributions which are made for individual subjects in exchange for the employees' services rendered in the accounting period shall be recognized as liabilities on the balance sheet date and included in current profits and losses or relevant asset costs according to the beneficiaries. The defined contribution plan of the Group is mainly purposed for payment of endowment insurance premiums, unemployment insurance premiums, etc. for the employees.

As for the defined benefit plan, the Group shall use an actuarial assumption that is unbiased and mutually compatible to make a reliable estimate of the variables on population and finance according to the projected accumulated benefit unit method, measure obligations generated by defined benefit plan and determine the period to which relevant obligations belong. The deficit or surplus formed by the present value of obligations under defined benefit plan minus the fair value of assets under defined benefit plan shall be recognized as a net liability or a net asset under defined benefit plan. In case that the defined benefit plan has surplus, the Group measures the net asset under defined benefit plan as per the surplus under defined benefit plan and the upper asset limit, whichever is lower.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits (Continued)

(2) (Continued)

The Group shall discount the obligations under the defined benefit plan, including the obligation to pay within 12 months after the annual report period when the employees provide services. The discount shall be made on the balance sheet date based on the market return on the national bonds matching with the obligations under the defined benefit plan in terms of the term and currency or based on the high-quality corporation bonds in the active market.

The service cost arising from the defined benefit plan and the net amount of interest of the net liability or net asset of the defined benefit plan shall be included in current profits and losses or relevant asset cost; the changes arising from re-measurement of the net liability or net asset of the defined benefit plan shall be included in other comprehensive incomes and shall never be reversed back to profits or losses in subsequent accounting periods. For settlement of the defined benefit plan, the settlement gain or loss shall be recognized as per the difference between the present value of the defined benefit plan obligation and the settlement price determined on the date of settlement.

- (3) Termination benefits is compensation paid to employees for either the enterprise's decision to terminate the employment relationship before the expiration of employment contract or encouragement to an employee for voluntary acceptance of dismissal.
- (4) Other long-term benefits means the all employee welfares excluding short-term remunerations, post-employment benefits and termination benefits.

22. Provisions

Where the business related to contingencies including external security, discount of commercial acceptance bills, pending litigation or arbitration and product quality assurance meets the following conditions simultaneously, the Group will recognize it as liabilities: such obligation is a current obligation of the Group; performance of the obligation will probably cause outflow of economic benefits from the enterprise; and the amount for such obligation can be calculated reliably.

Provisions are initially measured at the best estimate required to be paid when performing relevant current obligations, with comprehensive consideration of such factors as risks, uncertainties and time value of money related to contingencies. Where the time value of money is of great influence, the best estimate is recognized through the discount of relevant future cash outflows. On the balance sheet date, the book value of the provisions shall be reviewed and adjusted (if any change) to reflect current best estimate.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Revenue recognition principles and measuring methods

The operating revenue of the Group mainly include revenue from construction contracts, sales of goods, contracted energy management projects, rendering services and abalienation of the right to use assets and the revenue recognition conditions are specified as follows:

- (1) The Group shall recognize contract revenue and costs by using the percentage of completion method on the balance sheet date when the following conditions are met: total contract revenue can be measured reliability; economic benefits related to the contract may flow to the Group; the actually incurred contract costs can be distinguished clearly and measured reliability; the contract completion progress and costs to occur for completion of the contract can be determined reliably. If the percentage of completion method is adopted, the contract completion progress shall be identified based on the proportion of actually incurred contract cost in estimated total contract cost.

If the outcome of construction contract cannot be estimated reliably but the contract cost is recoverable, the contract revenue shall be recognized according to the actual contract cost that is recoverable. The contract cost is recognized as the contract expense when incurred. When the contract cost is unrecoverable, it is recognized immediately as the contract expense when incurred, and the contract revenue shall not be recognized.

- (2) Recognition principle for sales revenue: the revenue from goods sales is recognized under the following conditions: major risks and rewards concerning the ownership of goods have been transferred to the buyer; neither continuous management right usually related to the ownership is retained nor effective control over sold goods is effected; the amount of the revenue can be measured reliably; relevant economic benefits may flow to the enterprise; and relevant costs incurred or to be incurred can be measured reliably.
- (3) After the energy-saving acceptance of the contracted energy management project of the Group, the Group and the service parties recognize the energy saving quantity and amount in the current period on a monthly or quarterly basis and recognize the revenue within the sharing period based on the sharing proportion specified in the agreement.
- (4) When total service revenue and total costs of the Group can be measured reliably, economic benefits related to services may flow to the Group and completion schedule of services can be identified clearly, the Group can recognize the service revenue. On the balance sheet date, if the outcome of service transactions performed can be estimated reliably, the service revenue concerning it shall be recognized according to the percentage of completion method and the percentage of completion shall be determined based on the proportion of incurred costs in estimated total costs; if the outcome of service transactions performed cannot be estimated reliably but the service costs incurred can be compensated, the service revenue shall be recognized according to the incurred service costs that can be compensated and relevant service costs shall be carried forward; if the outcome of service transactions performed cannot be estimated reliably and the incurred service costs cannot be compensated in full, the incurred service costs shall be included in current profits and losses and the service revenue shall not be recognized.
- (5) When economic benefits related to transactions may flow to the Group and revenue can be measured reliably, the revenue related to abalienating the right to use assets shall be recognized.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Government grants

Government grants refers to monetary or non-monetary assets acquired by the Group from the government for free. The government subsidies shall be recognized when all the attached conditions can be satisfied and the government subsidies can be received by the Group.

Government subsidies in the form of monetary assets shall be measured based on the actually received amounts; subsidies allocated according to fixed quota standards shall be measured based on the receivable amounts; government subsidies in the form of non-monetary assets shall be measured based on the fair value; where the fair value cannot be estimated reliably, it shall be measured based on nominal amount (RMB1).

Government grants of the Group is divided into asset-related government grants and revenue-related government grants. The asset-related government subsidies refer to those obtained by the Group and used for the acquisition or construction of long-term assets or obtainment of such assets in other forms. The revenue-related government subsidies refer to those other than asset-related government subsidies. If no assistance object is specified in the government documents, the Group shall determine based on the above principles.

Asset-related government subsidies shall be recognized as deferred income, and shall be distributed equally within the service life of related assets and included in current profits and losses. Revenue-related government subsidies used to compensate for related costs or losses during future periods shall be recognized as deferred income, and it shall be included in current profits and losses during the period when it is recognized; those used to compensate for the incurred related costs or losses shall be included in current profits and losses directly.

25. Deferred income tax assets and liabilities

Deferred income tax assets and deferred income tax liabilities of the Group shall be recognized by calculating the difference (temporary difference) between the tax base and book value thereof. For the deductible loss of taxable income that can be deducted in the future years as specified by tax laws, corresponding deferred income tax assets shall be recognized. For temporary difference from initial recognition of goodwill, relevant deferred income tax liabilities shall not be recognized. For the temporary difference with respect to initial recognition of assets or liabilities incurred in transaction which is not business merger and the occurrence of which has no impact on the accounting profits and the taxable incomes (or deductible losses), relevant deferred income tax assets and liabilities shall not be recognized. Deferred income tax assets and liabilities shall be measured at applicable tax rate during the anticipated period for recovering such assets or paying off such liabilities on the balance sheet date.

The deferred income tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting deductible temporary difference, deductible loss, and tax deduction by the Group.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Lease

Lease can be divided by the Group into finance lease and operating lease at the commencement of lease.

At the commencement of the lease term, as the Lessee for finance lease, the Group shall deem the lower of the fair value of the leased asset and the present value of the minimum lease payments as the entry value of fixed assets acquired by finance lease and the minimum lease payment as the entry value of long-term payable. The difference between two entry values is deemed as unrecognized financing cost.

As the Lessee of operating lease, the Group shall include the lease payment in relevant asset costs or current profits and losses by using the straight-line method within each period of the lease term. While as the Lessor, the Group shall recognize the lease payment as incomes by using the straight-line method within each period of the lease term.

27. Change in significant accounting policies and accounting estimates

None.

V. TAXES

1. Main taxes and tax rates

| Category | Tax Basis | Statutory Rate |
|---------------------------------------|---|--|
| Value-added tax (VAT) | Income from goods sales | 3%, 6%, 7%, 13%, 17%, 19% (overseas) |
| Business tax | Incomes from design, construction & installation, lease, etc. | 3%, 5% |
| City maintenance and construction tax | Taxable amount of turnover tax | 1%, 5%, 7% |
| Education surcharge | Taxable amount of turnover tax | 1%, 2%, 3% |
| Corporate income tax | Taxable income | 20%, 25% (overseas: 15.5%, 16.5%, 28%, 30.89%, 32.45%, 43.99%) |

Overseas tax rates are mainly those applicable to overseas subsidiaries of the Company.

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V. TAXES (Continued)

2. Tax preference

(1) Corporate income tax

- 1) According to relevant regulations of the Measures for the Administration of the Recognition of Hi-tech Enterprises (GKFH [2008] No. 172) and the Guidelines for the Administration and the Recognition of Hi-tech Enterprises (GKFH [2008] No. 362), some subsidiaries of the Group shall enjoy the following preferential policies:

| Name | Level | Preferential Policy |
|---|--------------|---------------------|
| Sinoma International Engineering Co., Ltd. | Second-level | |
| Xiamen ISO Standard Sand Co., Ltd. | Second-level | |
| Sinoma Science & Technology Co., Ltd. | Second-level | |
| Sinoma Advanced Materials Co., Ltd. | Second-level | |
| Sinoma Jinjing Fiber Glass Co., Ltd. | Second-level | |
| Suzhou Sinoma Design & Research Institute of Non-metallic Minerals Industry Co., Ltd. | Third-level | |
| Beijing Composite Materials Co., Ltd. | Third-level | |
| Sinoma Science & Technology (Suzhou) Co., Ltd. | Third-level | |
| Sinomatech Wind Power Blade Co., Ltd. | Third-level | |
| Beijing Sinoma Synthetic Crystals Co., Ltd. | Third-level | |
| Jiangxi Sinoma New Solar Materials Co., Ltd. | Third-level | |
| Sinoma Hi-tech Chengdu Energy Technology Co., Ltd. | Third-level | |
| Sinoma Jiangxi Porcelain Electric Co., Ltd. | Third-level | |
| Sinoma (Suzhou) Construction Co., Ltd. | Third-level | |
| Sinoma Technology & Equipment Group Co., Ltd. | Third-level | |
| CBMI Construction Co., Ltd. | Third-level | |
| Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. | Third-level | |
| Tianjin Cement Design & Research Institute Co., Ltd. | Third-level | |
| Suzhou Concrete Cement Products Research & Design Institute Co., Ltd. | Third-level | |
| Sinoma International Environmental Engineering (Beijing) Co., Ltd. | Third-level | |
| Taishan Fiberglass Inc. | Third-level | |
| Sinoma (Tianjin) Powder Technology Machinery Co., Ltd. | Fourth-level | |
| Taishan Fiberglass Zoucheng Co., Ltd. | Fourth-level | |
| Sinoma Science & Technology (Chengdu) Co., Ltd. | Fourth-level | |
| Sinoma (Tianjin) Control Engineering Co., Ltd. | Fourth-level | |
| Xuzhou Sinoma Equipment Heavy Machinery Co., Ltd. | Fourth-level | |
| Sinoma (Shangrao) Machinery Limited Company | Fourth-level | |
| Sinoma Tangshan Heavy Machinery Co., Ltd. | Fourth-level | |
| Sinoma Changshu Heavy Machinery Co., Ltd. | Fourth-level | |
| Sinoma-Liyang Heavy Machinery Co., Ltd. | Fourth-level | |
| Sinoma (Henan) Environmental Protection Co., Ltd. | Fourth-level | |
| Sinomatech (Jiuquan) Wind Power Blade Co., Ltd. | Fourth-level | |
| Sinomatech (Funing) Wind Power Blade Co., Ltd. | Fourth-level | |

The preferential income tax rate of 15% shall be implemented in 2016.

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V. TAXES (Continued)

2. Tax preference (Continued)

(1) Corporate income tax (Continued)

- 2) Pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on Preferential Tax Policy Issues Concerning the Development of Western China* (CS [2001] No. 202), the preferential income tax rate of 15% enjoyed by Tianshan Cement (a second-level company of the Group) and some of its subsidiaries, Ningxia Building Materials (a second-level company of the Group) and some of its subsidiaries, some subsidiaries of Sinoma Cement Co., Ltd. (hereinafter referred to as "Sinoma Cement") and Qilianshan Holdings and some of its subsidiaries were due in 2010.

On 27 July 2011, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation jointly issued the *Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy* (CS [2011] No. 58). Pursuant to this notice, from 1 January 2011 to 31 December 2020, the corporate income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. According to No. 12 (2012) announcement of the State Administration of Taxation, i.e. *Announcement on Issues Concerning Corporate Income Tax during Further Implementation of the Western China Development Strategy*, before the release of the *Catalogue of Industries Encouraged to Development in the Western Region*, the corporate income tax of enterprises within the scope of the *Catalogue for Guiding Industry Restructuring* (Version 2005), the *Catalogue for Guiding Industry Restructuring* (Version 2011), the *Catalogue for the Guidance of Foreign Investment Industries* (Amended in 2007) and the *Catalogue of Advantageous Industries in the Middle and Western Regions* (Amended in 2008) can be paid at 15%. After the release of the *Catalogue of Industries Encouraged to Development in the Western Region*, for an enterprise taking industrial items specified in the catalogue as the main business and performing final settlement of corporate income tax at the rate of 15%, if its main operating revenue in the current year accounts for less than 70% of its total income, the tax can be re-calculated and declared at applicable rate according to the tax law after completion of relevant procedures.

According to the *Catalogue of Industries Encouraged to Development in the Western Region* released in No. 15 Order of the National Development and Reform Commission on 20 August 2014, for Tianshan Cement (a second-level company of the Group) and some of its subsidiaries, some subsidiaries of Sinoma Cement (a second-level company of the Group), some subsidiaries of Ningxia Building Materials (a second-level company of the Group) and some subsidiaries of Qilianshan Holdings (a second-level company of the Group) which enjoyed the above-mentioned preferential tax policy for the Western China Development Strategy before and have been confirmed by competent tax authorities in 2016, the corporate income tax shall still be calculated and paid at the preferential rate of 15% in 2016.

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For the six months ended 30 June 2016

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

V. TAXES (Continued)

2. Tax preference (Continued)

(1) Corporate income tax (Continued)

2) (Continued)

See the table below for details:

| Name | Level | Preferential Policy |
|---|--------------|---|
| Aksu Tianshan Duolang Cement Co., Ltd. | Third-level | |
| Xinjiang Tunhe Cement Co., Ltd. | Third-level | |
| Xinjiang Hejing Tianshan Cement Co., Ltd. | Third-level | |
| Xinjiang Tianshan Juxin Commercial Cement Co., Ltd. | Third-level | |
| Xinjiang Fukang Tianshan Cement Co., Ltd. | Third-level | |
| Turpan Tianshan Cement Co., Ltd. | Third-level | |
| Ningxia Qingtongxia Cement Co., Ltd. | Third-level | |
| Ningxia Saima Cement Co., Ltd. | Third-level | |
| Ningxia Zhongning Saima Cement Co., Ltd. | Third-level | |
| Sinoma (Gansu) Cement Co., Ltd. | Third-level | |
| Guyuan Liupanshan Cement Co., Ltd. | Third-level | |
| Ningxia Shizuishan Saima Cement Co., Ltd. | Third-level | |
| Sinoma (Hanjiang) Cement Co., Ltd. | Third-level | |
| Shawan Tianshan Cement Co., Ltd. | Fourth-level | The preferential income tax rate of 15% shall be implemented in 2016. |
| Qiti Tianshan Cement Co., Ltd. | Fourth-level | |
| Sinoma (Tianshui) Cement Co., Ltd. | Fourth-level | |
| Yongdeng Qilianshan Cement Co., Ltd. | Fourth-level | |
| Wenxian Qilianshan Cement Co., Ltd. | Fourth-level | |
| Gangu Qilianshan Cement Co., Ltd. | Fourth-level | |
| Pingliang Qilianshan Cement Co., Ltd. | Fourth-level | |
| Minhe Qilianshan Cement Co., Ltd. | Fourth-level | |
| Zhangxian Qilianshan Cement Co., Ltd. | Fourth-level | |
| Chengxian Qilianshan Cement Co., Ltd. | Fourth-level | |
| Qinghai Qilianshan Cement Co., Ltd. | Fourth-level | |
| Xiahe Qilianshan Anduo Cement Co., Ltd. | Fourth-level | |
| Longnan Qilianshan Cement Co., Ltd. | Fourth-level | |
| Gansu Zhangye Julong Building Material Co., Ltd. | Fourth-level | |
| Gulang Qilianshan Cement Co., Ltd. | Fourth-level | |
| Xinjiang Sinoma Fine Chemical Co., Ltd. | Fourth-level | |
| Jiugang (Group) Hongda Building Materials Co., Ltd. | Fourth-level | |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

V. TAXES (Continued)

2. Tax preference (Continued)

(1) Corporate income tax (Continued)

- 3) According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang* (CS [2011] No. 53) and the *Policy for Issues Concerning Implementation of Preferential Income Tax Policy of "2-year Exemption and 3-year Half Payment" of the Central Government for Newly-established Enterprises in Poverty Areas of Xinjiang* (XCSF [2011] No. 51), in addition to third-level companies of the Group including Hami Tianshan Cement Co., Ltd., Kashgar Tianshan Cement Co., Ltd., Yecheng Tianshan Cement Co., Ltd. and Luopu Tianshan Cement Co., Ltd., fourth-level companies of the Group including Yili Tianshan Cement Co., Ltd., Hami Tianshan Commercial Concrete Co., Ltd., Kezhou Tianshan Cement Co., Ltd. and Fukang Tianshan Zhuyou Concrete Co., Ltd. can enjoy the preferential corporate income tax policy of "2-year exemption and 3-year half payment". According to the Opinion of the State Administration of Taxation of Xinjiang Uyghur Autonomous Region and the Local Taxation Bureau of Xinjiang Uyghur Autonomous Region on Implementation of Tax Policies of the Autonomous Region for Promoting Development of SMEs (XGSF [2011] No. 177) and the Opinion on Implementation for Promoting Development of SMEs (XZF [2010] No. 92), fourth-level companies of the Group including Yili Tianshan Concrete Co., Ltd., Huocheng Tianshan Concrete Co., Ltd. and Shawan Tianshan Concrete Co., Ltd. can enjoy the local income tax preference of "2-year exemption and 3-year half payment" for enterprises in the autonomous region. In this year, the companies mentioned above enjoy preferential income tax policies of exemption or reduced payment.
- 4) According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Value-added Tax, Business Tax and Enterprise Income Tax Policies for Promoting the Development of Energy Services Sector* (CS [2010] No. 110), if any contracted energy management project of Anhui Jieyuan Environmental Protection Technology Co., Ltd. (hereinafter referred to as "Anhui Jieyuan"), which is a third-level company of the Group, complies with regulations of the *Enterprise Income Tax Law*, since the tax year of the receiving of the first production and operating income, the company will enjoy corporate income tax exemption from the first year to the third year and pay corporate income tax at half of the statutory tax rate of 25% from the fourth year to the sixth year.
- 5) According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Preferential Policies of Enterprise Income Tax Applicable to Small Meager-profit Enterprises* (CS [2014] No. 34), Xing'anment Taixin Mining Co., Ltd., a fourth-level company of the Group, meets the conditions of small meager-profit enterprises and enjoy the preferential tax rate of 20%.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

V. TAXES (Continued)

2. Tax preference (Continued)

(2) VAT

- 1) According to the *Notice of the Ministry of Finance and the State Administration of Taxation Issuing the Catalogue of Value-Added Tax Preferences for Products and Services Involving the Comprehensive Utilization of Resources (CS [2015] No. 78)*, as approved by the competent tax authority, part of cement products produced by Tianshan Cement and some of its subsidiaries, some subsidiaries of Sinoma Cement, some subsidiaries of Ningxia Building Materials and some subsidiaries of Qilianshan Holdings shall be subject to the preferential policy of “refund immediately after payment” of VAT (refund of 70% of the VAT paid).
- 2) According to the *Notice of the Ministry of Finance and the State Administration of Tax on VAT Exemption for Part of Military Parts and Accessories Produced by Common Industrial Enterprises (CS [2004] No. 152)*, partial products produced by Sinoma Science & Technology (a second-level company of the Group) and Beijing Composite Materials Co., Ltd. (third-level) shall be subject to VAT exemption since January 1, 2003.
- 3) According to the document (CS [2011] No. 111), in this year, Sinoma Science & Technology, a second-level subsidiary of the Group, shall be exempt from VAT in terms of technical transfer, technical development and relevant technical consultation and technical service contracts which are recognized by the technology exchange market, upon approval by the competent tax authority after “replacing the business tax with value-added tax”.
- 4) According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Value-added Tax, Business Tax and Enterprise Income Tax Policies for Promoting the Development of the Energy Services Sector (CS [2010] No. 110)*, any VAT taxable goods in the eligible contracted energy management project of Anhui Jieyuan to the energy-consumption enterprises shall be exempt from VAT temporarily.

Notes to Unaudited Financial Statements

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

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

1. Monetary funds

| Item | As at 30 June 2016 | As at 31 December 2015 |
|--|-----------------------|---------------------------|
| Cash | 86,634,140.14 | 72,145,145.46 |
| Cash in bank | 16,377,371,946.70 | 12,850,031,909.55 |
| Other monetary funds | 2,178,984,790.11 | 2,137,331,408.85 |
| Total | 18,642,990,876.95 | 15,059,508,463.86 |
| Including: total amount deposited abroad | 608,279,481.96 | 960,836,622.87 |

At the end of the period, total monetary funds of the Group with limited use is RMB2,169,790,053.11, including RMB688,602,692.09 of bond deposit, RMB64,022,745.96 L/C deposit, RMB1,239,365,538.15 of acceptance bill deposit, RMB73,408,417.17 of performance deposit, RMB49,431,968.10 of mine environmental restoration and treatment deposit, RMB3,733,594.87 of margin for mining work safety risk, RMB50,000,000.00 of restricted certificate of deposit, and RMB1,225,096.77 of others. The respective amount of monetary funds at the beginning of the period is RMB2,108,231,476.75.

2. Financial assets at fair value through profit or loss

| Item | As at 30 June 2016 | As at 31 December 2015 |
|------------------------------------|-----------------------|---------------------------|
| Trading financial assets | 6,977,161.93 | 18,417,367.12 |
| Including: open-end monetary funds | – | 15,561,367.12 |
| Forward foreign exchange contracts | 1,105,000.00 | 2,856,000.00 |
| Funds | 5,872,161.93 | – |
| Total | 6,977,161.93 | 18,417,367.12 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

3. Bills receivable

(1) Category of bills receivable

| Bill category | As at 30 June 2016 | As at 31 December 2015 |
|-----------------------------|-------------------------------|-----------------------------------|
| Bank acceptance bills | 3,993,659,942.58 | 3,933,250,100.23 |
| Commercial acceptance bills | 260,521,168.07 | 208,052,137.06 |
| Total | 4,254,181,110.65 | 4,141,302,237.29 |

(2) Bills receivable which have been pledged at the end of the period

| Item | Pledged amount as at 30 June 2016 |
|-----------------------|--|
| Bank acceptance bills | 698,538,048.00 |
| Total | 698,538,048.00 |

(3) Bills receivable which have been endorsed or discounted but not yet expired on the balance sheet date

| Item | Derecognized amount as at 30 June 2016 | Non-derecognized amount as at 30 June 2016 |
|-----------------------------|---|---|
| Bank acceptance bills | 3,982,959,518.77 | – |
| Commercial acceptance bills | 19,384,993.15 | – |
| Total | 4,002,344,511.92 | – |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

4. Accounts receivable

(1) Accounts receivable listed by age

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

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

(2) Classification of accounts receivable

| Category | As at 30 June 2016 | | | | | As at 31 December 2015 | | | | |
|--|--------------------------|----------------|-------------------------|----------------|-------------------------|--------------------------|----------------|-------------------------|----------------|-------------------------|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables that are individually significant provided for bad debts on individual basis | 852,456,584.18 | 7.13 | 704,733,791.16 | 82.67 | 147,722,793.02 | 865,581,338.35 | 7.55 | 717,862,145.33 | 82.93 | 147,719,193.02 |
| Accounts receivable provided for bad debts by portfolio of credit risk features | 11,009,006,069.58 | 92.13 | 1,555,566,421.23 | 14.13 | 9,453,439,648.35 | 10,531,364,539.54 | 91.84 | 1,440,963,000.75 | 13.68 | 9,090,401,538.79 |
| Receivables that are individually insignificant provided for bad debts on individual basis | 88,736,077.58 | 0.74 | 80,215,657.44 | 90.40 | 8,520,420.14 | 70,277,932.13 | 0.61 | 58,595,593.22 | 83.38 | 11,682,338.91 |
| Total | 11,950,198,731.34 | 100.00 | 2,340,515,869.83 | 19.59 | 9,609,682,861.51 | 11,467,223,810.02 | 100.00 | 2,217,420,739.30 | 19.34 | 9,249,803,070.72 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

4. Accounts receivable (Continued)

(2) Classification of accounts receivable (Continued)

1) Receivables that are individually significant provided for bad debts on individual basis

| Name | As at 30 June 2016 | | | Reason for provision |
|---|---------------------|--------------------|--------------------------|---------------------------|
| | Accounts receivable | Bad debt provision | Provision proportion (%) | |
| Shanghai Baotou Material Co., Ltd. | 158,788,049.58 | 108,686,389.73 | 68.45 | |
| Shanghai Beilaide Trading Co., Ltd. | 94,924,075.12 | 94,924,075.12 | 100.00 | |
| Shanghai Kaixian Industrial Co., Ltd. | 73,298,827.66 | 73,298,827.66 | 100.00 | |
| Shanghai Hongyu Metallic Material Co., Ltd. | 69,685,185.27 | 69,685,185.27 | 100.00 | |
| Shanghai Huaji Steel Materials Co., Ltd. | 41,052,357.19 | 41,052,357.19 | 100.00 | |
| Shanghai Zhongqi Trading Co., Ltd. | 39,427,876.95 | 39,427,876.95 | 100.00 | |
| Hunan Chaoyue Trading Co., Ltd. | 32,553,474.78 | 32,553,474.78 | 100.00 | |
| Tianjin Shaxiang Group Co., Ltd. | 30,001,797.78 | 30,001,797.78 | 100.00 | |
| Shanghai Zhongmin Trading Co., Ltd. | 25,670,412.78 | 25,670,412.78 | 100.00 | |
| Shanghai Buchao Trading Co., Ltd. | 24,452,505.68 | 24,452,505.68 | 100.00 | Note 1 |
| Shanghai Mengxing Economic and Trade Co., Ltd. | 23,703,624.81 | 23,703,624.81 | 100.00 | |
| Shanghai Dingqi Trading Co., Ltd. | 20,678,841.54 | 20,678,841.54 | 100.00 | |
| Shanghai Xinkuang Steel Co., Ltd. | 19,795,032.37 | 19,795,032.37 | 100.00 | |
| Shanghai Fuyuan Metallic Material Co., Ltd. | 17,248,579.87 | 11,075,779.87 | 64.21 | |
| Shanghai Longna Material Trading Co., Ltd. | 17,074,614.56 | 15,443,139.25 | 90.45 | |
| Shanghai Baohao Metallic Material Co., Ltd. | 15,205,982.62 | 15,205,982.62 | 100.00 | |
| Changjiang International Steel Logistics (Suzhou) Co., Ltd. | 13,355,353.74 | 13,355,353.74 | 100.00 | |
| Shanghai Duanfang Trading Co., Ltd. | 11,282,114.22 | 11,282,114.22 | 100.00 | |
| Sinoma Yangzhou Machinery Manufacture Co., Ltd. | 11,930,851.15 | 11,930,851.15 | 100.00 | Note 2 |
| Yunwei Baoshan Organic Chemical Industry Co., Ltd. | | | | Per the analysis of |
| | 98,159,391.51 | 8,342,533.65 | 8.50 | recoverable amount |
| Shanyin Xuan'ang Building Materials Co., Ltd. | 14,167,635.00 | 14,167,635.00 | 100.00 | Counterparty's insolvency |
| Total | 852,456,584.18 | 704,733,791.16 | | |

Note 1: In 2013, Sinoma Equipment & Engineering Corp., Ltd. (hereinafter referred to as "Sinoma E&E"), a third-level company of the Group, ceased steel trading business in which it was engaged. After the disposal of relevant contracts in the current period, the bad debt provision is drawn according to the evaluation of such items as payment capacity of customers or relevant responsible parties, relevant security, guarantee, mortgage and pledged assets, as well as the estimate of lawsuit progress.

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

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

4. Accounts receivable (Continued)

(2) Classification of accounts receivable (Continued)

2) In portfolio, accounts receivable provided for bad debts by aging analysis

| Account age | As at 30 June 2016 | | |
|---------------|---------------------|--------------------|--------------------------|
| | Accounts receivable | Bad debt provision | Provision proportion (%) |
| Within 1 year | 7,252,036,502.83 | 305,508,458.00 | 4.21 |
| 1-2 years | 1,929,266,762.94 | 214,367,757.77 | 11.11 |
| 2-3 years | 876,599,140.72 | 182,503,325.95 | 20.82 |
| 3-4 Years | 351,159,082.30 | 262,032,917.97 | 74.62 |
| 4-5 years | 127,988,071.26 | 119,197,452.01 | 93.13 |
| Over 5 years | 471,956,509.53 | 471,956,509.53 | 100.00 |
| Total | 11,009,006,069.58 | 1,555,566,421.23 | |

(3) In current period, accounts receivables recognized to be unrecoverable due to reasons such as suspension of execution, clearing by the other party or revoking of business license are written off and the total amount is RMB4.52 million.

(4) Top five of accounts receivables

| Name | As at 30 June 2016 | Account age | Proportion of | Bad debt |
|--|--------------------|---------------|--|------------------------------|
| | | | total accounts receivable as at 30 June 2016 (%) | provision as at 30 June 2016 |
| Xinjiang Goldwind Sci & Tech Co., Ltd. | 322,416,883.01 | Within 1 year | 2.70 | 6,448,337.66 |
| Dangote Industries (T) LTD | 269,703,633.33 | Within 1 year | 2.26 | 13,485,181.67 |
| Jiangyin Yuanjing Investment Co., Ltd. | 268,262,694.55 | Within 1 year | 2.24 | 4,187,020.94 |
| Shanghai Baotou Material Co., Ltd. | 158,788,049.58 | 4-5 Years | 1.33 | 108,686,389.73 |
| UMM AL-QURA CEMENT COMPANY | 127,008,437.22 | Within 1 year | 1.06 | 6,350,421.86 |
| Total | 1,146,179,697.69 | | 9.59 | 139,157,351.86 |

(5) The total book value of accounts receivable used by Sinoma International (a second-level company) for borrowing pledge at the end of the period is RMB410.80 million.

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

5. Prepayments

(1) Age of prepayments

| Item | As at 30 June 2016 | | As at 31 December 2015 | |
|---------------|-------------------------|----------------|------------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 3,362,567,354.61 | 79.69 | 3,655,578,558.99 | 81.26 |
| 1-2 years | 615,475,906.73 | 14.59 | 455,937,382.10 | 10.13 |
| 2-3 years | 129,848,103.85 | 3.08 | 205,368,837.66 | 4.56 |
| Over 3 years | 111,513,147.91 | 2.64 | 181,983,589.78 | 4.05 |
| Total | 4,219,404,513.10 | 100.00 | 4,498,868,368.53 | 100.00 |

(2) Top five of prepayments

| Name | As at 30 June 2016 | Account Age | Proportion of total prepayment as at 30 June 2016 (%) |
|---|--------------------|----------------|---|
| LOESCHE GMBH | 136,126,715.42 | Within 1 year | 3.23 |
| Wuxi Yingtepai Metalwork Co., Ltd. | 107,215,269.93 | Within 1 year | 2.54 |
| Limak Cimento Sanayi VE Ticaret A.S. | 66,135,187.77 | Within 1 year | 1.57 |
| IKN GMBH | 52,822,724.54 | Within 2 years | 1.25 |
| Sunan Yugur Autonomous County Hongyun Mining Co., Ltd. | 46,176,000.00 | Within 2 years | 1.09 |
| Total | 408,475,897.66 | | 9.68 |

6. Dividends receivable

| Investee entity | As at 30 June 2016 | As at 31 December 2015 |
|--|----------------------|------------------------|
| BBMG Corporation | 40,440,300.02 | 33,541,200.00 |
| Yili Nan'gang Building Materials (Group) Co., Ltd. | 5,008,893.45 | 5,008,893.45 |
| Nanjing Tongtian Science & Technology Industrial Co., Ltd. | 419,944.80 | 419,944.80 |
| Taishan Fiberglass South Africa (PTY) Ltd. | 637,769.05 | 587,004.45 |
| Total | 46,506,907.32 | 39,557,042.70 |

Notes to Unaudited Financial Statements

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

7. Other receivables

(1) Aging analysis of other receivables

| Account age | As at | As at |
|---|-------------------------|------------------|
| | 30 June 2016 | 31 December 2015 |
| Within 1 year | 497,078,758.93 | 462,816,256.97 |
| 1-2 years | 165,343,210.62 | 113,490,636.55 |
| 2-3 years | 54,873,432.34 | 59,480,054.66 |
| 3-4 years | 47,184,186.28 | 891,412,455.14 |
| 4-5 years | 874,086,218.65 | 67,186,873.81 |
| Over 5 years | 360,106,105.71 | 306,144,407.46 |
| Total original value | 1,998,671,912.53 | 1,900,530,684.59 |
| Less: provision for bad debt of other receivables | 1,004,527,176.68 | 990,438,196.37 |
| Sum of other receivables | 994,144,735.85 | 910,092,488.22 |

(2) Classification of other receivables

| Category | As at 30 June 2016 | | | | | As at 31 December 2015 | | | | |
|--|-------------------------|----------------|-------------------------|----------------|-----------------------|-------------------------|----------------|-----------------------|----------------|-----------------------|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
| Other receivables that are individually significant provided for bad debts on individual basis | 873,545,304.20 | 43.71 | 703,892,569.41 | 80.58 | 165,652,734.79 | 827,166,471.20 | 43.52 | 690,461,738.72 | 83.47 | 136,704,732.48 |
| Other receivable provided for bad debts by portfolio of credit risk features | 955,751,741.17 | 47.82 | 274,000,653.15 | 28.67 | 681,751,088.02 | 923,303,130.08 | 48.58 | 274,946,925.02 | 29.78 | 648,356,205.06 |
| Other receivables that are individually insignificant provided for bad debts on individual basis | 169,374,867.16 | 8.47 | 26,633,954.12 | 15.72 | 146,740,913.04 | 150,061,083.31 | 7.90 | 25,029,532.63 | 16.68 | 125,031,550.68 |
| Total | 1,998,671,912.53 | 100.00 | 1,004,527,176.68 | 50.26 | 994,144,735.85 | 1,900,530,684.59 | 100.00 | 990,438,196.37 | 52.11 | 910,092,488.22 |

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

7. Other receivables (Continued)

(2) Classification of other receivables (Continued)

1) Other receivables that are individually significant provided for bad debts on individual basis

| Name | Book balance | Provision of bad debts | Provision proportion (%) | Reasons for provision |
|--|-----------------------|---------------------------|-----------------------------|----------------------------|
| Shanghai Haoxuan International Trading Co., Ltd. | 95,935,544.96 | 61,354,848.68 | 63.95 | |
| Shanghai Baoao Steel Co., Ltd. | 81,366,127.20 | 55,693,048.91 | 68.45 | |
| Shanghai Hongxing Material Trading Co., Ltd. | 76,967,936.48 | 76,967,936.48 | 100.00 | |
| Shanghai Baotou Material Co., Ltd. | 59,916,770.55 | 41,011,508.69 | 68.45 | |
| Shanghai Lizhi Material Co., Ltd. | 40,197,650.40 | 40,197,650.40 | 100.00 | |
| Wuxi Xingguiyuan Steel Trade Co., Ltd. | 31,802,014.00 | 31,802,014.00 | 100.00 | |
| Tianjin Shaxiang Group Co., Ltd. | 28,814,212.80 | 28,814,212.80 | 100.00 | |
| Shanghai Dingqi Trading Co., Ltd. | 27,020,100.27 | 27,020,100.27 | 100.00 | Note 1 |
| Shanghai Xulong Material Co., Ltd. | 24,927,804.70 | 22,545,958.97 | 90.45 | |
| Shanghai Lining Metallic Material Co., Ltd. | 17,122,689.12 | 11,322,689.12 | 66.13 | |
| Shanghai Jinmengyuan Industry and Trade Co., Ltd. | 16,673,237.03 | 16,673,237.03 | 100.00 | |
| Shanghai Baotan Industrial Co., Ltd. | 15,879,170.34 | 13,524,850.59 | 85.17 | |
| Shanghai Baohao Metallic Material Co., Ltd. | 15,357,148.74 | 15,357,148.74 | 100.00 | |
| Shanghai Kaixian Industrial Co., Ltd. | 13,156,609.63 | 13,156,609.63 | 100.00 | |
| Shanghai Baohaoyuan Material Co., Ltd. | 10,090,234.60 | 10,090,234.60 | 100.00 | |
| Sinoma Yangzhou Machinery Manufacture Co., Ltd. | 119,461,390.47 | 119,461,390.47 | 100.00 | Note 2 |
| Taian Taishan Holdings Limited | 86,000,000.00 | 43,000,000.00 | 50.00 | Per the recoverable amount |
| Investment and Financing Management Center of Taian Hi-tech Industrial Development Zone | 26,000,000.00 | 13,000,000.00 | 50.00 | Per the recoverable amount |
| Jiangxi Shangrao Zhongchuang Real Estate Development Co., Ltd. | 25,095,305.71 | 22,585,775.13 | 90.00 | Per the recoverable amount |
| People's Government of Yuhu District, Xiangtan City | 23,378,833.00 | 1,930,830.70 | 8.26 | Per the recoverable amount |
| Qilianshan Industry & Trade Development Co., Ltd. | 23,865,784.20 | 23,865,784.20 | 100.00 | Counterparty's insolvency |
| Gansu Qilianshan You'an Brake Materials Co., Ltd. | 14,516,740.00 | 14,516,740.00 | 100.00 | Counterparty's insolvency |
| Total | <u>873,545,304.20</u> | <u>703,892,569.41</u> | | |

Note 1. Note 2: see VI. 4 in the Notes for details.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

7. Other receivables (Continued)

(2) Classification (Continued)

2) In portfolio, other receivables provided for bad debts by aging analysis

| Account age | As at 30 June 2016 | | |
|---------------|--------------------|--------------------|--------------------------|
| | Other receivables | Bad debt provision | Provision proportion (%) |
| Within 1 year | 481,078,758.93 | 20,479,823.43 | 4.26 |
| 1-2 years | 165,343,210.62 | 16,700,580.45 | 10.10 |
| 2-3 years | 54,873,432.34 | 11,174,686.47 | 20.36 |
| 3-4 years | 47,184,186.28 | 27,433,483.00 | 58.14 |
| 4-5 years | 38,923,438.65 | 29,863,365.46 | 76.72 |
| Over 5 years | 168,348,714.35 | 168,348,714.35 | 100.00 |
| Total | 955,751,741.17 | 274,000,653.15 | |

(3) No other receivables are written off in the current period

(4) Classification of other receivables by nature

| Nature | As at | As at |
|---|------------------|------------------|
| | 30 June 2016 | 31 December 2015 |
| Rent | 10,248,027.97 | 14,042,270.95 |
| Performance deposit and insurance deposit | 241,491,770.85 | 176,252,248.03 |
| Quality deposit | 124,212,388.33 | 108,509,757.00 |
| Reserve funds | 271,670,550.43 | 194,863,134.85 |
| Intercourse funds | 375,176,111.47 | 434,230,378.25 |
| Steel trading accounts receivable | 561,470,227.82 | 561,470,227.82 |
| Advances offered for others | 137,993,984.68 | 142,386,555.55 |
| Investment funds receivable | 28,464,344.13 | 28,383,527.45 |
| Equity transfer | 86,000,000.00 | 89,000,000.00 |
| Others | 161,944,506.85 | 151,392,584.69 |
| Total | 1,998,671,912.53 | 1,900,530,684.59 |

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For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

7. Other receivables (Continued)

(5) Top five of other receivables

| Name | Nature | Amount | Account age | Proportion of total other receivables (%) | Bad debt provision as at 30 June 2016 |
|--|-------------------|----------------|-------------|---|---------------------------------------|
| Sinoma Yangzhou Machinery Manufacture Co., Ltd. | Intercourse funds | 119,461,390.47 | 4-5 years | 5.98 | 119,461,390.47 |
| Shanghai Haoxuan International Trading Co., Ltd. | Steel trading | 95,935,544.96 | 4-5 years | 4.80 | 61,354,848.68 |
| Taian Taishan Holdings Limited | Equity transfer | 86,000,000.00 | 4-5 years | 4.30 | 43,000,000.00 |
| Shanghai Baoao Steel Co., Ltd. | Steel trading | 81,366,127.20 | 4-5 years | 4.07 | 55,693,048.91 |
| Shanghai Hongxing Material Trading Co., Ltd. | Steel trading | 76,967,936.48 | 4-5 years | 3.85 | 76,967,936.48 |
| Total | | 459,730,999.11 | | 23.00 | 356,477,224.54 |

8. Inventories

(1) Classification of inventories

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|--|--------------------|--------------------------------|------------------|------------------------|--------------------------------|------------------|
| | Book balance | Provision for decline in value | Book value | Book balance | Provision for decline in value | Book value |
| Raw materials | 2,084,065,713.20 | 38,505,753.09 | 2,045,559,960.11 | 1,749,690,079.58 | 44,860,050.38 | 1,704,830,029.20 |
| Products in process | 1,724,750,658.01 | 28,314,538.33 | 1,696,436,119.68 | 1,854,860,606.33 | 31,716,142.92 | 1,823,144,463.41 |
| Goods in stock | 2,881,445,706.03 | 114,952,768.30 | 2,766,492,937.73 | 2,937,173,626.02 | 140,525,111.94 | 2,796,648,514.08 |
| Turnover materials | 23,658,927.05 | | 23,658,927.05 | 28,963,324.37 | | 28,963,324.37 |
| Consigned processing materials | 4,998,523.52 | | 4,998,523.52 | 4,372,605.57 | | 4,372,605.57 |
| Completed but unsettled assets formed by construction contract | 2,905,375,393.24 | 88,884,973.13 | 2,816,490,420.11 | 3,197,635,194.29 | 116,646,959.78 | 3,080,988,234.51 |
| R&D expense | 15,865,795.78 | | 15,865,795.78 | 8,116,444.41 | | 8,116,444.41 |
| Materials in transit | 68,302,960.72 | 800,119.32 | 67,502,841.40 | 109,839,412.31 | | 109,839,412.31 |
| Goods shipped | 67,386,387.83 | 1,187,107.39 | 66,199,280.44 | 63,933,801.07 | 958,989.70 | 62,974,811.37 |
| Others | 1,964,512.57 | | 1,964,512.57 | 2,220,249.39 | | 2,220,249.39 |
| Total | 9,777,814,577.95 | 272,645,259.56 | 9,505,169,318.39 | 9,956,805,343.34 | 334,707,254.72 | 9,622,098,088.62 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

8. Inventories (Continued)

(2) Provisions for decline in value of inventories

| Item | As at 31 December 2015 | Increase in the current period | | Decrease in the current period | | As at 30 June 2016 |
|---|---------------------------|--------------------------------|----------|--------------------------------|-----------------------|------------------------------|
| | | Charge amount | Others | Reversal or write-off | Other transfer out | |
| Raw materials | 44,860,050.38 | - | - | 1,561,383.23 | 4,792,914.06 | 38,505,753.09 |
| Products in process | 31,716,142.92 | - | - | 33,151.23 | 3,368,453.36 | 28,314,538.33 |
| Goods in stock | 140,525,111.94 | 8,622,690.60 | - | - | 34,195,034.24 | 114,952,768.30 |
| Completed but unsettled assets formed by construction contract | 116,646,959.78 | 3,525,778.66 | - | - | 31,287,765.31 | 88,884,973.13 |
| Goods shipped | 958,989.70 | 228,117.69 | - | - | - | 1,187,107.39 |
| Materials in transit | - | 800,119.32 | - | - | - | 800,119.32 |
| Total | <u>334,707,254.72</u> | <u>13,176,706.27</u> | <u>-</u> | <u>1,594,534.46</u> | <u>73,644,166.97</u> | <u>272,645,259.56</u> |

(3) Completed but unsettled assets formed by construction contract at the end of the period

| Item | Amount |
|--|------------------------------------|
| Incurring gross costs | 27,464,273,198.05 |
| Recognized gross profit | 2,129,171,058.98 |
| Less: estimated loss settled amount | 88,884,973.13 26,688,068,863.79 |
| Completed but unsettled assets formed by construction contract | <u>2,816,490,420.11</u> |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

9. Assets classified as held for sale

| Item | Book value as at 30 June 2016 | Fair value | Expected disposal expense | Expected disposal time |
|------------------------------------|----------------------------------|----------------|------------------------------|---------------------------|
| Premises and buildings | 12,812,337.57 | 55,055,300.00 | – | At the end of 2016 |
| Machinery equipment | 17,281,895.65 | 56,763,971.00 | – | At the end of 2016 |
| Office equipment and miscellaneous | 25,751.43 | 25,751.43 | – | At the end of 2016 |
| Construction in progress | 1,387,729.65 | 1,387,729.65 | – | At the end of 2016 |
| Total | 31,507,714.30 | 113,232,752.08 | – | |

Note: According to the Notice on Implementation Scheme of Removal of Polluting Enterprises (Including Chemical Enterprises) from Central Urban Area of Urumqi Municipality (WZB [2011] No. 104) issued by the General Office of the People's Government of Urumqi Municipality, Cangfanggou Premise of Tianshan Cement (a second-level company of the Group) in No. 242, Shuinichang Street, Cangfanggou Road, Urumqi would be relocated in whole. The government would take back the state-owned land involved in the said removal. Tianshan Cement carried out bid, auction and listing for the land as per the planed conditions and relocation compensation conditions specified by the government. Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. delisted the land and obtained the development right of the land, and should pay the relocation loss and personnel resettlement costs due to the relocation. The relocation and development principles, i.e. "compliance with planning, overall removal, step-by-step demolition and delivery, and phased compensation", determined in the document of the people's government of the autonomous region (XZH [2013] No. 214) shall be followed. Supplementary development of municipal roads and traffic infrastructure of Cangfanggou Premise shall be provided. Tianshan Cement performed relocation and delivered the assets step by step. The delisting developer followed the relocation principles above and gradually received assets in the relocation range.

In April 2014, Tianshan Cement (a second-level company of the Group) signed the Relocation Compensation Agreement of Cangfanggou Premise with Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd., agreeing that assets in the relocation range should be delivered in six phases (i.e. 2014-2019). According to the agreement, phase-III relocation assets are planned to be delivered at the end of 2016 (closing balance value: RMB30.12 million; fair value: RMB11.18 million). This part of assets satisfies the conditions of holding for sale in VI. 12 in the Notes and shall be separately listed in the balance sheet.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

10. Other current assets

| Item | As at 30 June 2016 | As at 31 December 2015 |
|--------------------|-----------------------|---------------------------|
| Overpaid VAT | 583,761,507.92 | 770,835,575.00 |
| Financial products | 71,400,000.00 | 38,000,000.00 |
| Total | 655,161,507.92 | 808,835,575.00 |

11. Available-for-sale financial assets

(1) Available-for-sale financial assets

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|--------------------------------------|--------------------|-------------------------|------------------|------------------------|-------------------------|------------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Available-for-sale equity instrument | 2,679,370,760.80 | 154,404,446.69 | 2,524,966,314.11 | 3,251,683,409.12 | 154,404,446.69 | 3,097,278,962.43 |
| Including: measured at fair value | 2,343,216,436.32 | - | 2,343,216,436.32 | 2,913,813,967.34 | - | 2,913,813,967.34 |
| Measured at cost | 336,154,324.48 | 154,404,446.69 | 181,749,877.79 | 337,869,441.78 | 154,404,446.69 | 183,464,995.09 |
| Total | 2,679,370,760.80 | 154,404,446.69 | 2,524,966,314.11 | 3,251,683,409.12 | 154,404,446.69 | 3,097,278,962.43 |

(2) Available-for-sale financial assets measured at fair value at the end of the period

| Item | Available-for-sale equity instruments | Total |
|---|--|------------------|
| Cost of equity instruments | 438,179,454.71 | 438,179,454.71 |
| Fair value | 2,343,216,436.32 | 2,343,216,436.32 |
| Accumulated amount of changes in fair value included in other comprehensive income | 1,905,036,981.61 | 1,905,036,981.61 |
| Amount of impairment provision | - | - |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

11. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets measured at fair value at the end of the period (Continued)

- 1) BBMG Corporation (hereinafter referred to as BBMG Corporation) was listed on the main board of Hong Kong Exchanges in July 2009. A-shares issued by BBMG Corporation were listed on 1 March 2011. As of 30 June 2016, the Company has held 229.97 million A-shares of BBMG Corporation which is equivalent to RMB1,782,267,500 of available-for-sale equity instrument at the closing price of 30 June 2016. The Company has held 330,000 corporate shares of Bohai Water Industry Co., Ltd. which can be recognized as RMB5,996,100 of available-for-sale equity instrument at the closing price of 30 June 2016. The Company has held 520,500 shares of Great Wall Jiuhegong Funds which can be recognized as RMB840,700 of available-for-sale equity instrument at the closing price of 30 June 2016.
- 2) West Xinjiang Construction Co., Ltd. (hereinafter referred to as "West Construction") was listed at Shenzhen Stock Exchange in October 2009. As of 30 June 2016, Tianshan Cement, a second-level company of the Group, has held 14,813,172 shares of West Construction which can be recognized as RMB213,902,200 of available-for-sale equity instrument at the closing price of 30 June 2016.
- 3) As of 30 June 2016, Sinoma International, a second-level company of the Group, has held 520,104 shares of Bank of Communications which can be recognized as RMB2,928,200 of available-for-sale equity instrument at the closing price of 30 June 2016.
- 4) As of 30 June 2016, Sinoma Tianjin Heavy Machinery Co., Ltd., a fourth-level company of the Group, has held 1,710,000 shares of Sinoma Energy Conservation Ltd. which can be recognized as RMB18,844,200 of available-for-sale equity instrument at the closing price of 30 June 2016.
- 5) As of 30 June 2016, Gansu Qilianshan Cement Group Co., Ltd. (hereinafter referred to as "Qilianshan Co."), a third-level company of the Group, has held 18.47 million shares of Lanzhou Ls Heavy Equipment Co., Ltd. (hereinafter referred to as "Ls Heavy Equipment") which can be recognized as RMB230,136,200 of available-for-sale equity instrument at the closing price of 30 June 2016.
- 6) Guotai Junan Securities Co., Ltd. (hereinafter referred to as "Guotai Junan") was listed in Shanghai Stock Exchange on 26 June 2015. As of 30 June 2016, Sinoma Hanjiang Cement Co., Ltd., a third-level company of the Group, has held 4,963,500 shares of Guotai Junan which can be recognized as RMB88,301,300 of available-for-sale equity instrument at the closing price of 30 June 2016.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

11. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of the period

| Investee entities | Book balance | | | Impairment provision | | | Shareholding proportion in the investee entities (%) | Cash dividends in current period |
|--|------------------------|----------------------------|----------------------------|----------------------|----------------------------|----------------------------|--|----------------------------------|
| | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 | Increase in current period | Decrease in current period | | |
| Deheng Securities Co., Ltd. | 49,800,000.00 | - | - | 49,800,000.00 | - | - | 6.50 | - |
| Eastern Life Insurance Co., Ltd. | 50,000,000.00 | - | - | 50,000,000.00 | - | - | 6.25 | - |
| Xinjiang Western International Travel Service Co., Ltd. | 22,016,127.14 | - | - | 22,016,127.14 | - | - | 9.42 | - |
| Xinjiang WME Switch Co., Ltd. | 2,100,000.00 | - | - | 2,100,000.00 | - | - | 1.97 | - |
| Mali Rural Cooperative Bank | 200,000.00 | - | - | 200,000.00 | - | - | 0.25 | 36,000.00 |
| Banking Department of Qingtusi County Credit Cooperation Union | 100,000.00 | - | - | 100,000.00 | - | - | 0.22 | 13,000.00 |
| Bank of Ningxia Co., Ltd. | 57,300,000.00 | - | - | 57,300,000.00 | - | - | 1.66 | 3,676,800.00 |
| Nanjing Tongjiao Science & Technology Industrial Co., Ltd. | 3,107,200.00 | - | - | 3,107,200.00 | - | - | 0.86 | - |
| Yangzhou Keao Energy-saving New Materials Co., Ltd. | 4,000,000.00 | - | - | 4,000,000.00 | - | - | 8.00 | - |
| Zoucheng Rural Credit Cooperative Union | 1,000,000.00 | - | - | 1,000,000.00 | - | - | 0.28 | 7,348.32 |
| Shandong Innovation Investment Guarantee Co., Ltd. | 2,000,000.00 | - | - | 2,000,000.00 | - | - | 8.93 | - |
| Fujian Longyan Sande Cement Building Material Industry Co., Ltd. | 1,750,000.00 | - | 1,750,000.00 | - | - | - | - | - |
| Tangshan Beifang Cement Machinery (Institute) Co., Ltd. | 278,741.58 | - | - | 278,741.58 | - | - | 3.14 | - |
| Guangxi Yufeng Cement STOCK Co., Ltd. | 755,274.07 | - | - | 755,274.07 | - | - | 0.16 | - |
| Shanghai Shenjian Corporation | 42,313.66 | - | - | 42,313.66 | - | - | 8.33 | - |
| Beijing GCA Website Information Consultation Co., Ltd. | 304,825.02 | - | - | 304,825.02 | - | - | 17.28 | - |
| Beijing Zhongqian Hada International Trading Co., Ltd. (Note 1) | 1,000,000.00 | - | - | 1,000,000.00 | - | - | 20.00 | - |
| Tongda Refractory Technologies Co., Ltd. | 24,027,891.82 | - | - | 24,027,891.82 | - | - | 3.00 | - |
| Sichuan International Building Material Corporation | 50,000.00 | - | - | 50,000.00 | - | - | - | - |
| Global Cement Capital Partners Ltd | 11,366,946.67 | 34,882.70 | - | 11,366,946.67 | - | - | 10.00 | - |
| Cheng'an Bank Co., Ltd. | 4,641,980.00 | - | - | 4,641,980.00 | - | - | 0.09 | - |
| Guizhou Junan Investment Management Co., Ltd. | 403,340.00 | - | - | 403,340.00 | - | - | 0.10 | - |
| Shaanxi Sootor High-tech Biological Co., Ltd. | 4,600,000.00 | - | - | 4,600,000.00 | - | - | 9.60 | - |
| Lanzhou Zhongchuan Oilrefining Cement Co., Ltd. | 4,524,090.80 | - | - | 4,524,090.80 | - | - | 18.00 | - |
| China Dragon Securities Co., Ltd. | 5,917,145.03 | - | - | 5,917,145.03 | - | - | 0.14 | - |
| Lanzhou Chongxiang Building Material Co., Ltd. (Note 2) | 9,495,603.68 | - | - | 9,495,603.68 | - | - | 56.00 | - |
| Anhui Pacific Cable Co., Ltd. | 30,000,000.00 | - | - | 30,000,000.00 | - | - | 3.00 | - |
| Shoma Yangzhou Machinery Manufacture Co., Ltd. (Note 3) | 45,028,843.01 | - | - | 45,028,843.01 | - | - | 70.00 | - |
| Hubei Chengqiao New Material Co., Ltd. | 2,100,000.00 | - | - | 2,100,000.00 | - | - | 1.61 | 120,000.00 |
| Total | 337,663,441.78 | 34,882.70 | 1,750,000.00 | 336,154,324.48 | - | - | 154,404,446.69 | 3,653,148.32 |

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For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

11. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of the period (Continued)

- 1) Sinoma E&E which is a third-level company of the Group holds 20% equity of Beijing Zhongjian Haida International Trading Co., Ltd. (hereinafter referred to as "Zhongjian Haida"). According to the Articles of Association of Zhongjian Haida, all directors shall be recommended by its controlling shareholder, i.e. China National Building Material Equipment Corporation, and Sinoma E&E shall not participate in the operating management.
- 2) Qilianshan Co., a third-level company of the Group, holds 56.00% equity of Lanzhou Chongxiang Building Material Co., Ltd. (heinafter referred to as "Lanzhou Chongxiang"). According to the equity lease agreement signed by and between Qilianshan Co. and Yongdeng Cement Plant Qilianshan Industrial Co., Ltd. (hereinafter referred to as "Yongdeng Industrial"), Qilianshan Cement shall lease its equity of Lanzhou Chongxiang (56.00%) to Yongdeng Industrial until 31 August 2018.
- 3) Sinoma Yangzhou has been taken over by the administrative receiver designated by the court and shall not be included in the consolidation scope since 2015.

(4) Provision for impairment of available-for-sale financial assets

| Classification of available-for-sale financial assets | Available-for-sale equity instrument | Total |
|---|---|-----------------------|
| Amount of impairment provision at the beginning of the period | 154,404,446.69 | 154,404,446.69 |
| Changed in current period | — | — |
| Other transfer-in | — | — |
| Including: transfer-in from other comprehensive income | — | — |
| Decrease in current period | — | — |
| Including: reversed as fair value recovered in subsequent periods | — | — |
| Amount of impairment provision at the end of the period | <u>154,404,446.69</u> | <u>154,404,446.69</u> |

Notes to Unaudited Financial Statements

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

12. Held-to-maturity investments

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|-------------------------------------|--------------------|----------------------|------------|------------------------|----------------------|------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Jinxin Trust & Investment Co., Ltd. | 76,301,383.33 | 76,301,383.33 | - | 76,301,383.33 | 76,301,383.33 | - |
| Deheng Securities Co., Ltd. | 23,664,975.00 | 23,664,975.00 | - | 23,664,975.00 | 23,664,975.00 | - |
| Total | 99,966,358.33 | 99,966,358.33 | - | 99,966,358.33 | 99,966,358.33 | - |

- (1) As of 30 June 2016, the book cost amount of the financial investment entrusted by Tianshan Cement, a second-level company of the Group, in Deheng Securities Co., Ltd. has been RMB23,665,000. According to the resolutions made in the 28th meeting of the second session of board of directors of Tianshan Cement and in the 37th meeting of the second session of board of directors, Tianshan Cement drew the impairment provision in full in 2004.
- (2) As of 30 June 2016, the book cost amount of the financial investment entrusted by Tianshan Cement, a second-level company of the Group, and its holding subsidiary, i.e. Xinjiang Tunhe Cement Co., Ltd. (hereinafter referred to as "Tunhe Cement"), in Jinxin Trust & Investment Co., Ltd. has been RMB76,301,400. According to the resolutions made in the 28th meeting of the second session of board of directors of Tianshan Cement and in the 37th meeting of the second session of board of directors, Tianshan Cement drew the impairment provision in full in 2004.

13. Long-term receivables

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|---|--------------------|----------------------|----------------|------------------------|----------------------|----------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Goods sales by installments | 224,800,522.58 | - | 224,800,522.58 | 222,983,366.94 | - | 222,983,366.94 |
| BT project of Sinoma Science & Technology | 114,238,989.27 | - | 114,238,989.27 | 109,031,009.98 | - | 109,031,009.98 |
| Total | 339,039,511.85 | - | 339,039,511.85 | 332,014,376.92 | - | 332,014,376.92 |

Total book value of long-term receivables used by Sinoma International (a second-level company of the Group) for borrowing pledge at the end of the period is RMB4.06 million.

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For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

14. Long-term equity investments

| Investee entities | As at 31 December 2015 | Changes in Current Period | | | | | | As at 30 June 2016 | Provision for impairment as at 30 June 2016 |
|--|------------------------------|---------------------------|------------------------|---|--|-------------------------|---|-----------------------|---|
| | | Additional investment | Investment decrease | Investment gain/ loss under equity method | Adjustment of other comprehensive incomes | Other equity changes | Cash dividends or profits declared to pay | | |
| I. Joint ventures | | | | | | | | | |
| Taishan Fiberglass South Africa (PTY) Ltd. | 6,112,675.74 | - | - | 739,775.20 | -3,666,580.08 | - | - | 3,165,870.86 | - |
| II. Associates | | | | | | | | | |
| Wuxi Hengju Concrete Pile Manufacturing Co., Ltd. | 1,543,086.35 | - | - | - | - | - | - | 1,543,086.35 | - |
| Hanzhong Hanyang Concrete Co., Ltd. | 2,403,918.23 | - | - | - | - | - | - | 2,403,918.23 | 2,403,918.23 |
| Jiangsu Zhongkai New Material Co., Ltd. | 3,521,976.98 | 3,521,976.98 | - | - | - | - | - | 3,521,976.98 | - |
| Nanjing Chunhui Science and Technology Industrial Co., Ltd. | 19,224,244.70 | - | - | 44,481.66 | - | - | - | 19,288,726.36 | - |
| Hengzhou Qiangshi Engineering Materials Co., Ltd. | 5,087,467.92 | - | - | 1,838.16 | - | - | - | 5,089,306.08 | - |
| Shoma Group Finance Co., Ltd. | 172,034,225.97 | - | - | 8,301,341.42 | - | -1,580,000.00 | - | 178,775,567.39 | - |
| Gezhouba Shroma Jiejin (Wuhan) Science & Technology Co., Ltd. (Note 1) | 15,000,000.00 | - | - | 618,689.87 | - | - | - | 15,618,689.87 | - |
| III. Others | | | | | | | | | |
| Zibo Zhongbo Ceramic Technology Co., Ltd. | 1,304,659.22 | - | - | - | - | - | - | 1,304,659.22 | 1,304,659.22 |
| Zibo Zhongbo Ceramics Co., Ltd. | 1,456,752.00 | - | - | - | - | - | - | 1,456,752.00 | 1,456,752.00 |
| Tiexi Donggar Datonghe Cement Grinding Co., Ltd. (Note 2) | 7,716,784.77 | - | - | - | - | - | - | 7,716,784.77 | 7,716,784.77 |
| Jinshan Kih Tai Preheater Engineering Corporation (Note 3) | 100,000.00 | - | - | - | - | - | - | 100,000.00 | 100,000.00 |
| Tianjin Xinjiyuan Industrial Development Co., Ltd. (Note 3) | 1,050,000.00 | - | - | - | - | - | - | 1,050,000.00 | 1,050,000.00 |
| Technical Service Department of Tianjin Cement Industry Design & Research Institute Co., Ltd. (Note 4) | 2,584,387.54 | - | - | - | - | - | - | 2,584,387.54 | 1,861,489.10 |
| otex cement pvt ltd | 4,901.90 | - | - | - | - | - | 15.13 | 4,917.03 | - |
| Suzhou Huijian Consultation Co., Ltd. | 30,000.00 | - | - | - | - | - | - | 30,000.00 | 30,000.00 |
| Anhui Xiaoxian Jinyuan Mining Co., Ltd. (Note 5) | 1,951,905.86 | - | - | - | - | - | - | 1,951,905.86 | 1,951,905.86 |
| IMS Botswana | 510,235.37 | - | - | - | - | - | 280.36 | 510,515.73 | 503,125.98 |
| Material Research | 102,551.57 | - | - | - | - | - | - | 102,551.57 | 102,551.57 |
| Total | 238,227,819.14 | 3,521,976.98 | - | 9,706,126.31 | -3,666,580.08 | - | -1,580,000.00 | 246,209,637.84 | 18,481,866.73 |

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For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

15. Investment properties

| Item | Premises and buildings | Land use right | Total |
|---|---------------------------|-------------------|----------------|
| I. Original book value | | | |
| 1. Opening balance | 318,819,660.08 | 100,453,665.25 | 419,273,325.33 |
| 2. Increase in current period | 3,673,045.84 | 2,462,009.86 | 6,135,055.70 |
| (1) Purchase | – | – | – |
| (2) Transferred from construction in progress | 3,673,045.84 | 2,462,009.86 | 6,135,055.70 |
| 3. Decrease in current period | 12,589,705.55 | 347,935.27 | 12,937,640.82 |
| (1) Disposal | 12,589,705.55 | 347,935.27 | 12,937,640.82 |
| (2) Other transfer out | – | – | – |
| 4. Closing balance | 309,903,000.37 | 102,567,739.84 | 412,470,740.21 |
| II. Accumulated depreciation and accumulated amortization | – | – | – |
| 1. Opening balance | 80,474,633.88 | 12,646,386.09 | 93,121,019.97 |
| 2. Increase in current period | 9,862,072.49 | 754,641.64 | 10,616,714.13 |
| (1) Change of depreciation or amortization | 9,862,072.49 | 754,641.64 | 10,616,714.13 |
| 3. Decrease in current period | 5,883,201.12 | 59,223.36 | 5,942,424.48 |
| (1) Disposal | 5,883,201.12 | 59,223.36 | 5,942,424.48 |
| (2) Other transfer out | – | – | – |
| 4. Closing balance | 84,453,505.25 | 13,341,804.37 | 97,795,309.62 |
| III. Impairment provision | – | – | – |
| 1. Opening balance | – | – | – |
| 2. Increase in current period | – | – | – |
| (1) Provision | – | – | – |
| 3. Decrease in current period | – | – | – |
| (1) Disposal | – | – | – |
| (2) Other transfer out | – | – | – |
| 4. Closing balance | – | – | – |
| IV. Book value | – | – | – |
| 1. Closing book value | 225,449,495.12 | 89,225,935.47 | 314,675,430.59 |
| 2. Opening book value | 238,345,026.20 | 87,807,279.16 | 326,152,305.36 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

16. Fixed assets

(1) Breakdown

| Item | Premises and buildings | Machinery equipment | Transportation equipment | Office equipment | Others | Total |
|---|---------------------------|------------------------|-----------------------------|---------------------|----------------|-------------------|
| I. Original book value | | | | | | |
| 1. Opening balance | 25,928,752,979.29 | 35,582,960,602.82 | 1,898,771,128.06 | 1,063,837,236.04 | 906,231,585.27 | 65,380,553,531.48 |
| 2. Increase in current period | 203,222,785.77 | 1,257,180,468.81 | 28,857,535.56 | 9,927,746.01 | 71,634,465.51 | 1,570,823,001.66 |
| (1) Purchase | 28,213,830.59 | 718,441,063.48 | 27,087,244.22 | 7,806,586.07 | | 781,548,724.36 |
| (2) Transferred from construction in progress | 175,008,955.18 | 538,739,405.33 | 1,770,291.34 | 2,121,159.94 | 71,634,465.51 | 789,274,277.30 |
| 3. Decrease in current period | 42,727,623.41 | 180,533,146.76 | 55,988,685.47 | 19,020,947.59 | - | 298,270,403.23 |
| (1) Disposal or retirement | 42,727,623.41 | 180,533,146.76 | 55,988,685.47 | 19,020,947.59 | - | 298,270,403.23 |
| 4. Closing balance | 26,089,248,141.65 | 36,659,607,924.87 | 1,871,639,978.15 | 1,054,744,034.46 | 977,866,050.78 | 66,653,106,129.91 |
| II. Accumulated depreciation | | | | | | |
| 1. Opening balance | 4,842,248,522.79 | 13,507,195,010.42 | 1,083,439,411.99 | 658,856,513.37 | 561,116,822.34 | 20,652,856,280.91 |
| 2. Increase in current period | 367,525,956.29 | 1,162,985,022.63 | 105,325,525.16 | 64,904,450.83 | 62,120,279.29 | 1,762,861,234.20 |
| (1) Depreciation charged | 367,525,956.29 | 1,162,985,022.63 | 105,325,525.16 | 64,904,450.83 | 62,120,279.29 | 1,762,861,234.20 |
| (2) Newly added | - | - | - | - | - | - |
| 3. Decrease in current period | 13,382,223.47 | 70,538,816.14 | 40,300,161.50 | 4,254,894.14 | 30,100,787.17 | 158,576,882.42 |
| (1) Disposal or retirement | 13,382,223.47 | 70,538,816.14 | 40,300,161.50 | 4,254,894.14 | 30,100,787.17 | 158,576,882.42 |
| 4. Closing balance | 5,196,392,255.61 | 14,599,641,216.91 | 1,148,464,775.65 | 719,506,070.06 | 593,136,314.46 | 22,257,140,632.69 |
| III. Impairment provision | | | | | | |
| 1. Opening balance | 480,395,778.26 | 492,881,767.27 | 7,075,119.84 | 7,448,276.15 | 21,913,219.69 | 1,009,714,161.21 |
| 2. Increase in current period | - | 2,111,584.61 | - | - | - | 2,111,584.61 |
| (1) Provision | - | 2,111,584.61 | - | - | - | 2,111,584.61 |
| 3. Decrease in current period | 1,702,172.38 | 6,848,480.32 | - | - | - | 8,550,652.70 |
| (1) Disposal or retirement | 1,702,172.38 | 6,848,480.32 | - | - | - | 8,550,652.70 |
| 4. Closing balance | 478,693,605.88 | 488,144,871.56 | 7,075,119.84 | 7,448,276.15 | 21,913,219.69 | 1,003,275,093.12 |
| IV. Book value | | | | | | |
| 1. Closing book value | 20,414,162,280.16 | 21,571,821,836.40 | 716,100,082.66 | 327,789,688.25 | 362,816,516.63 | 43,392,690,404.10 |
| 2. Opening book value | 20,606,108,678.24 | 21,582,883,825.13 | 808,256,596.23 | 397,532,446.52 | 323,201,543.24 | 43,717,983,089.36 |

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For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

16. Fixed assets (Continued)

(1) Breakdown (Continued)

- 1) Total net book value of fixed assets used for borrowing pledge at the end of current period is RMB2,833,549,800, including:

The net book value of fixed assets used by Tianshan Cement (a second-level company of the Group) for borrowing pledge at the end of current period is RMB905,361,600.

The net book value of fixed assets used by Sinoma Science & Technology (a second-level company of the Group) for borrowing pledge at the end of current period is RMB1,130,427,900.

The net book value of fixed assets used by Sinoma Advanced Materials Co., Ltd. (hereinafter referred to as "Sinoma Advanced Materials", a second-level company of the Group) for borrowing pledge at the end of current period is RMB11,846,700.

The net book value of fixed assets used by Sinoma Jinjing Fiber Glass Co., Ltd. (hereinafter referred to as "Sinoma Jinjing", a second-level company of the Group) for borrowing pledge at the end of current period is RMB277,027,300.

The net book value of fixed assets used by Qilianshan Holdings (a second-level company of the Group) for borrowing pledge at the end of current period is RMB508,886,300.

- 2) Main increase of impairment provision for fixed assets in the current period:

Sinoma Jinjing (a second-level company of the Group) draws impairment provision for its fixed assets held with sign of impairment.

(2) Temporarily idle fixed assets

| Item | Original book value | Accumulated depreciation | Impairment provision | Net book value |
|---------------------------------------|-------------------------|-----------------------------|-------------------------|-----------------------|
| Premises and buildings | 1,068,632,806.20 | 487,025,377.33 | 268,208,932.73 | 313,398,496.14 |
| Machinery equipment | 1,767,596,840.19 | 1,163,166,604.88 | 325,475,675.61 | 278,954,559.70 |
| Transportation vehicles | 46,924,102.26 | 41,023,600.26 | 848,674.33 | 5,051,827.67 |
| Office equipment and miscellaneous | <u>28,413,819.31</u> | <u>20,108,545.28</u> | <u>5,441,494.77</u> | <u>2,863,779.26</u> |
| Total | <u>2,911,567,567.96</u> | <u>1,711,324,127.75</u> | <u>599,974,777.44</u> | <u>600,268,662.77</u> |

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For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

16. Fixed assets (Continued)

(3) Fixed assets in the process of title certificate handling

| Item | Book value | Reason |
|--|----------------|---|
| Clinker cement production line of Dabancheng Tianshan Phase I | 436,323,672.03 | In progress |
| 4000t/d clinker production line of Kashgar Tianshan | 36,885,519.85 | In progress |
| Sales office building of Hami Tianshan | 20,314,094.90 | In progress |
| Office building, central control building, laboratory building, etc. of Wuhai Saima | 12,834,987.29 | In progress |
| Main workshop and other houses of Wuhai Xishui | 18,249,473.87 | In progress |
| Office & Service Building of Saima Concrete | 11,648,803.46 | In progress |
| Office building, dormitory and production houses of Sinoma Tianshui | 10,842,816.19 | In progress |
| Office building, dormitory and production houses of Sinoma Gansu | 12,618,063.77 | In progress |
| Office building of Qingtongxia Concrete Jinji Branch | 6,460,903.43 | In progress |
| Office building, dormitory, laboratory building, etc. of Tianshui Huajian | 2,438,254.10 | In progress |
| Laboratory building, weighbridge room and power distribution room of Zhongning Concrete | 1,193,626.25 | In progress |
| BOX (企業滙6號樓) | 26,579,997.61 | In progress |
| Filter material warehouse and workshop | 15,336,800.68 | In progress |
| House property of Taishan Fiberglass | 206,001,351.16 | In progress |
| House property of Taishan Composite Material | 66,294,417.62 | In progress |
| House property of Antai Company | 10,396,826.66 | In progress |
| House property of Huatai Fine Powder | 1,242,875.99 | In progress |
| Production workshop of quartz ceramic radome | 3,202,196.13 | In progress |
| Golmud complex building and 110KV converging booster station | 11,230,308.28 | In progress |
| Factory, office building and dormitory of Silicon Material Company | 17,835,299.77 | In progress |
| House property of Jiangsu Solar Energy | 33,060,696.89 | In progress |
| House property of Chengdu Energy Technology Co., Ltd. | 33,667,041.81 | In progress |
| Sandblasting room of Sinoma-Liyang Heavy Machinery Co., Ltd. | 3,807,213.31 | This room is distributed in the workshop in Phase-II Project. Since Phase-II Project has not been completed, the title certificate cannot be handled. |
| New workshop and auxiliary buildings of Shangrao Machinery Co., Ltd. | 45,297,261.48 | Overall relocation and construction has not been completed and the title certificate will be handled together after construction of the office building |
| Office building of Tangshan Heavy Machinery | 2,126,442.70 | Project planning completion acceptance, construction permit, fire-fighting registration certificate of construction project and registration of completion acceptance of construction project in progress |
| Production workshop of Tangshan Heavy Machinery | 4,528,749.62 | |
| Dormitory of Haigang Branch of Tangshan Heavy Machinery | 2,189,265.08 | |
| Factory and workshop of Xuzhou Heavy Machinery | 119,529,495.60 | Unsettled yet |
| 1900 m ² finished product warehouse of Environmental Protection Conveying Machinery Branch of Sinoma Changshu Machinery | 1,319,294.72 | In progress |

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

16. Fixed assets (Continued)

(4) Fixed assets acquired by finance lease

| Item | Original book value | Accumulated depreciation | Net book value |
|---------------------|------------------------|-----------------------------|-------------------|
| Machinery equipment | 724,968,555.19 | 85,238,247.47 | 639,730,307.72 |
| Total | 724,968,555.19 | 85,238,247.47 | 639,730,307.72 |

17. Construction in progress

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|--|--------------------|-------------------------|---------------|------------------------|-------------------------|----------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| New Industrial Park Project of Taishan Fiberglass | 37,377,320.35 | - | 37,377,320.35 | 37,375,972.35 | - | 37,375,972.35 |
| 4500T Cement Clinker Production Line and Auxiliary 9MW Low-Temperature Cogeneration Project of Ningxia Building Materials | 52,511,186.10 | - | 52,511,186.10 | 50,815,635.58 | - | 50,815,635.58 |
| 100,000,000m Electronic Fabric Production Line of Taishan Fiberglass | 36,981,080.39 | - | 36,981,080.39 | 759,028,205.67 | - | 759,028,205.67 |
| Low-temperature Cogeneration Project of Hami Tianshan | 4,674,654.38 | - | 4,674,654.38 | 4,674,654.38 | - | 4,674,654.38 |
| Dulang Sishichang Rock Mine of Tianshan Cement | 38,681,827.93 | - | 38,681,827.93 | 36,956,582.10 | - | 36,956,582.10 |
| Building Project of 20,000,000 m2/a Lithium Battery Diaphragm of Sinoma Science & Technology | 75,332,639.58 | - | 75,332,639.58 | 73,419,543.10 | - | 73,419,543.10 |
| Yili Jiakubula Limestone Mine Project | 63,738,329.91 | - | 63,738,329.91 | 62,887,804.91 | - | 62,887,804.91 |
| Multiaxial Project of New Park of Taishan Fiberglass | 83,836,602.89 | - | 83,836,602.89 | 79,554,197.61 | - | 79,554,197.61 |
| Infrastructure Construction of Wind Power Blade Industrial Base of Sinoma Science & Technology in Central Region | - | - | - | 5,767,108.50 | - | 5,767,108.50 |
| Luopu Tianshan Mine Project | 12,311,092.63 | - | 12,311,092.63 | 12,202,602.07 | - | 12,202,602.07 |
| 5000t/d Cement Production Line and Relevant Supporting Project of Sinoma Cement | 21,186,439.43 | - | 21,186,439.43 | 17,282,841.03 | - | 17,282,841.03 |
| Construction Project of Parent Glass R&D Building and Complex Building of Sinoma Advanced | 21,710,804.38 | - | 21,710,804.38 | 22,703,575.08 | - | 22,703,575.08 |
| One-step Method Test Platform Project of Sinoma Science & Technology | 2,578,265.54 | - | 2,578,265.54 | 39,159,582.78 | - | 39,159,582.78 |
| 4500T/D Production Line of Qilianshan Holdings | 37,100,947.85 | - | 37,100,947.85 | 37,043,199.10 | - | 37,043,199.10 |
| Energy Conservation and Emission Reduction, i.e. Comprehensive Resource Utilization of Qilianshan Yumen 2*4500t/d New Dry Method Cement Production Line | 20,782,820.12 | - | 20,782,820.12 | 19,717,182.78 | - | 19,717,182.78 |
| Kuche Tianshan 5000T/D Clinker Production Line of Tianshan Cement | 16,969,748.79 | - | 16,969,748.79 | 16,876,788.79 | - | 16,876,788.79 |

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

17. Construction in progress (Continued)

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|--|--------------------|----------------------|----------------|------------------------|----------------------|----------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| 31 Technical Reform of Sinoma Science & Technology | 29,502,066.39 | - | 29,502,066.39 | 17,903,049.38 | - | 17,903,049.38 |
| Turpan Tianshan Technical Reform Project | 12,394,601.27 | - | 12,394,601.27 | 12,394,601.27 | - | 12,394,601.27 |
| Hami Tianshan Sitian Limestone Mine | 11,750,397.34 | - | 11,750,397.34 | 11,750,397.34 | - | 11,750,397.34 |
| Boron Nitride Project of Sinoma Advanced | 11,051,071.76 | - | 11,051,071.76 | 7,324,646.49 | - | 7,324,646.49 |
| Reform of Out-of-mill System for Nos. 1 and 2 Cement Mills of Sinoma Cement | 17,617,312.02 | - | 17,617,312.02 | 17,217,312.02 | - | 17,217,312.02 |
| Emin Tianshan 3000t Clinker Production Line Project | 10,563,484.97 | 5,901,927.14 | 4,661,557.83 | 10,562,470.99 | 5,901,927.14 | 4,660,543.85 |
| Construction Project of Innovation Capability R&D | | | | | | |
| Conditions of Sinoma Science & Technology | 3,565,689.81 | - | 3,565,689.81 | 6,063,677.64 | - | 6,063,677.64 |
| Pipe Installation Works of Taishan Fiberglass | 6,611,783.31 | - | 6,611,783.31 | 2,697,796.27 | - | 2,697,796.27 |
| Nanjing Mine Aggregate Development Line | 12,789,772.48 | - | 12,789,772.48 | 9,309,235.11 | - | 9,309,235.11 |
| Ningdong Flyash Fine and Deep Processing Project | 36,067,414.04 | - | 36,067,414.04 | 25,858,363.43 | - | 25,858,363.43 |
| 1,200,000t Dry Method Line of Tibet | 10,218,994.81 | - | 10,218,994.81 | 9,540,731.06 | - | 9,540,731.06 |
| Yecheng Tianshan Kokyar Limestone Mine | 10,420,714.62 | - | 10,420,714.62 | 8,192,795.20 | - | 8,192,795.20 |
| Auxiliary Project of Co-processing of 29800t Hazard Waste with Liyang Tianshan | 8,667,033.24 | - | 8,667,033.24 | 4,100,043.03 | - | 4,100,043.03 |
| Changji Tianshan Jinggou Mine | 9,438,062.15 | - | 9,438,062.15 | 9,423,060.15 | - | 9,423,060.15 |
| Cement Technical Equipment Base of Liyang Heavy Machinery | 6,756,141.26 | - | 6,756,141.26 | 5,957,157.99 | - | 5,957,157.99 |
| Construction of New Factory of Xuzhou Heavy Machinery | 8,605,781.19 | - | 8,605,781.19 | 7,599,073.19 | - | 7,599,073.19 |
| 4500t Clinker Cement Production Line of Phase-II | | | | | | |
| Luoding Project | 6,525,541.90 | - | 6,525,541.90 | 6,525,541.90 | - | 6,525,541.90 |
| Relocation to New Factory of Sinoma Shangrao | 22,620,469.90 | - | 22,620,469.90 | 20,460,436.55 | - | 20,460,436.55 |
| 400,000 pc./a Small Cylinder Expansion Project | 5,203,091.53 | - | 5,203,091.53 | 5,135,822.28 | - | 5,135,822.28 |
| 50,000t/a High-Purity Quartz Sand Production Line | 3,974,259.96 | - | 3,974,259.96 | 4,712,131.34 | - | 4,712,131.34 |
| KCW-75 | 4,390,107.67 | - | 4,390,107.67 | 4,390,107.67 | - | 4,390,107.67 |
| 3000/T Clinker Production Line of Fuyun Tianshan | 5,715,146.65 | - | 5,715,146.65 | 4,604,892.21 | - | 4,604,892.21 |
| Technical Reconstruction Project of Alkali-resisting (AR) | | | | | | |
| Fiberglass Production Line of Taishan Fiberglass | 11,540,662.24 | - | 11,540,662.24 | 10,454,764.44 | - | 10,454,764.44 |
| 100 t/a Silicon Nitride Ceramic Product Project | | - | | 5,127,759.89 | - | 5,127,759.89 |
| 4500t/d New Dry Method Cement Production Line Project | 31,264,173.04 | - | 31,264,173.04 | 20,895,710.70 | - | 20,895,710.70 |
| Pingliang Kiln Tail Electric Dust Collection Reform | 5,085,181.46 | - | 5,085,181.46 | 5,085,181.46 | - | 5,085,181.46 |
| Pingliang Cement Kiln Reconstruction | 4,605,110.94 | - | 4,605,110.94 | 4,605,110.94 | - | 4,605,110.94 |
| Westward Expansion Project of Chengxian Niuxieshan Mine | 3,965,188.68 | - | 3,965,188.68 | 4,570,754.72 | - | 4,570,754.72 |
| Raw Mill Project of Sinoma Hengda | 36,612,637.38 | - | 36,612,637.38 | 34,187,807.38 | - | 34,187,807.38 |
| F03 Project - 100,000 t/a Alkali-Free Glass Fiber Tank-Kiln | | | | | | |
| Drawing Production Line Project | 595,318,369.91 | - | 595,318,369.91 | 254,495,661.31 | - | 254,495,661.31 |

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For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

17. Construction in progress (Continued)

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|---|-------------------------|---------------------|-------------------------|-------------------------|---------------------|-------------------------|
| | Book balance | Impairment | Book value | Book balance | Impairment | Book value |
| | | provision | | | provision | |
| Sinoma Blade Beijing-Tianjin-Hebei Integration Project Cold Repair, Capacity Expansion and Reconstruction | 60,343,898.11 | - | 60,343,898.11 | 60,688,072.29 | - | 60,688,072.29 |
| Project of 2# Spun Yarn Production Line | 35,372,376.10 | - | 35,372,376.10 | 57,379,218.24 | - | 57,379,218.24 |
| Mining Production Line of Qarain Grassland Cement Co., Ltd. | 32,852,006.97 | - | 32,852,006.97 | 24,253,123.06 | - | 24,253,123.06 |
| Boiler Trust Service Project of Hefei Sifang Linfufei Limited Liability Company | 16,007,482.23 | - | 16,007,482.23 | 16,048,912.63 | - | 16,048,912.63 |
| Glass Fabric Processing Unit (3#FN Unit) Installation Project | 15,427,765.55 | - | 15,427,765.55 | 15,410,765.55 | - | 15,410,765.55 |
| Steam Turbine Energy Conservation Reconstruction Project of Anhui Jinmei Zhongneng Chemical Co., Ltd. | 15,978,496.26 | - | 15,978,496.26 | 15,978,496.26 | - | 15,978,496.26 |
| Energy Conservation Reconstruction Project of Coke-Oven Flue Gas Waste Heat Recovery of Xuzhou Tengda Coking Co., Ltd. | 5,211,801.58 | - | 5,211,801.58 | 10,571,801.58 | - | 10,571,801.58 |
| High Efficiency Pump Project of Tian'an Chemical Co., Ltd. | 6,014,662.39 | - | 6,014,662.39 | 6,014,662.39 | - | 6,014,662.39 |
| High Efficiency Pump Project of Xuzhou Huayu Gas Co., Ltd. | 6,334,411.04 | - | 6,334,411.04 | 6,334,411.04 | - | 6,334,411.04 |
| Special International Technology Cooperation Project of Preparation Technology of Inorganic Anti-pollution Flashover hydrophobic Coat | 6,958,463.26 | - | 6,958,463.26 | 5,725,893.78 | - | 5,725,893.78 |
| Cogeneration Project of Henan Zhongyuan Gold Smeltery Co., Ltd. | 661,172.83 | - | 661,172.83 | 75,996,130.79 | - | 75,996,130.79 |
| Ningxia Saima Lanshan Cement Mill & Packer Project | 15,895,102.29 | - | 15,895,102.29 | 8,955,771.76 | - | 8,955,771.76 |
| Technical Reform of Line Porcelain Insulator Production Line Phase-I Technical Reform of 100,000 pc./a Production Line of Quartz Ceramic Crucible for Solar Energy Polysilicon | 14,050,093.76 | - | 14,050,093.76 | 553,660.00 | - | 553,660.00 |
| 80,000t Fiberglass Production Line | 12,013,032.39 | - | 12,013,032.39 | 235,000.00 | - | 235,000.00 |
| 104,076,023.79 | 104,076,023.79 | - | 104,076,023.79 | - | - | - |
| Cogeneration Project (Jiangsu Orient New Energy and Environmental Technology Co., Ltd.) | 12,224,309.00 | - | 12,224,309.00 | - | - | - |
| Small Xiahe Project | 14,272,935.45 | - | 14,272,935.45 | 1,650,334.70 | - | 1,650,334.70 |
| F01S Project | 56,782,007.94 | - | 56,782,007.94 | - | - | - |
| F01 Project | 100,643,501.15 | - | 100,643,501.15 | - | - | - |
| F04 Project | 169,714,892.40 | - | 169,714,892.40 | - | - | - |
| Line 3 Cold Repair and Reconstruction Project | 22,569,591.95 | - | 22,569,591.95 | 383,018.86 | - | 383,018.86 |
| 4000t Industrial Project | 13,503,294.99 | - | 13,503,294.99 | 83,150.94 | - | 83,150.94 |
| Relocation Project of Tianshan Juxin | 8,051,759.51 | - | 8,051,759.51 | 71,650.00 | - | 71,650.00 |
| Others | 134,639,979.67 | 2,272,717.40 | 132,367,262.27 | 46,042,643.51 | 2,272,717.40 | 43,769,926.11 |
| Total | 2,348,213,082.81 | 8,174,644.54 | 2,340,038,438.27 | 2,178,988,286.56 | 8,174,644.54 | 2,170,813,642.02 |

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For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

18. Intangible assets

| Item | Land use right | Non-patented | | | | Trademark | Others | Total |
|-------------------------------|------------------|----------------|----------------|----------------|---------------|----------------|------------------|-------|
| | | technology | Mining right | Software | | | | |
| I. Original book value | | | | | | | | |
| 1. Opening balance | 4,324,337,215.50 | 487,037,476.41 | 924,138,704.31 | 149,819,247.72 | 53,391,750.60 | 99,735,168.51 | 6,038,459,563.05 | |
| 2. Increase in current period | 27,212,539.60 | 10,527,396.92 | 6,549,390.00 | 19,380,574.72 | 1,344,514.25 | 3,069,515.39 | 68,083,930.88 | |
| (1) Purchase | 27,212,539.60 | 8,075,249.55 | 6,549,390.00 | 19,380,574.72 | 1,344,514.25 | 3,069,515.39 | 65,631,783.51 | |
| (2) Internal R&D | - | 2,452,147.37 | - | - | - | - | 2,452,147.37 | |
| 3. Decrease in current period | 21,146,772.53 | - | 3,581,517.00 | 1,307,273.95 | - | - | 26,035,563.48 | |
| (1) Disposal | 21,146,772.53 | - | 3,581,517.00 | 1,307,273.95 | - | - | 26,035,563.48 | |
| (2) Others | - | - | - | - | - | - | - | |
| 4. Closing balance | 4,330,402,982.57 | 497,564,873.33 | 927,106,577.31 | 167,892,548.49 | 54,736,264.85 | 102,804,683.90 | 6,080,507,930.45 | |
| II. Accumulated amortization | | | | | | | | |
| 1. Opening balance | 584,984,594.50 | 216,975,754.94 | 325,295,702.36 | 77,756,844.60 | 19,883,403.00 | 30,506,466.67 | 1,255,402,766.07 | |
| 2. Increase in current period | 49,710,107.09 | 29,130,441.10 | 31,409,927.54 | 11,539,881.46 | 1,956,824.52 | 7,005,918.04 | 130,753,099.75 | |
| (1) Amortization charged | 49,710,107.09 | 29,130,441.10 | 31,409,927.54 | 11,539,881.46 | 1,956,824.52 | 7,005,918.04 | 130,753,099.75 | |
| (2) Business merger | - | - | - | - | - | - | - | |
| 3. Decrease in current period | 4,400,621.44 | - | 2,651,847.19 | 212,185.92 | - | - | 7,264,654.55 | |
| (1) Disposal | 4,400,621.44 | - | 2,651,847.19 | 212,185.92 | - | - | 7,264,654.55 | |
| (2) Others | - | - | - | - | - | - | - | |
| 4. Closing balance | 630,294,080.15 | 246,106,196.04 | 354,053,782.71 | 89,084,540.14 | 21,840,227.52 | 37,512,384.71 | 1,378,891,211.27 | |
| III. Impairment provision | | | | | | | | |
| 1. Opening balance | 19,390,044.28 | 23,745,754.85 | 8,929,703.09 | - | - | 3,384,400.00 | 55,449,902.22 | |
| 2. Increase in current period | - | - | - | - | - | - | - | |
| (1) Provision | - | - | - | - | - | - | - | |
| 3. Decrease in current period | - | - | 929,669.81 | - | - | - | 929,669.81 | |
| (1) Disposal | - | - | 929,669.81 | - | - | - | 929,669.81 | |
| 4. Closing balance | 19,390,044.28 | 23,745,754.85 | 8,000,033.28 | - | - | 3,384,400.00 | 54,520,232.41 | |
| IV. Book value | | | | | | | | |
| 1. Closing book value | 3,680,718,858.14 | 227,712,922.44 | 565,052,761.32 | 78,808,008.35 | 32,896,037.33 | 61,907,899.19 | 4,647,096,486.77 | |
| 2. Opening book value | 3,719,962,576.72 | 246,315,966.62 | 589,913,298.86 | 72,062,403.12 | 33,508,347.60 | 65,844,301.84 | 4,727,606,894.76 | |

(2) The total net book value of intangible assets used for borrowing pledge at the end of current period is RMB302,421,700, including:

- 1) The net book value of land use right used by Sinoma Advanced Materials (a second-level company of the Group) for pledge at the end of current period is RMB23,508,500.
- 2) The net book value of land use right used by Sinoma Jinjing (a second-level company of the Group) for pledge at the end of current period is RMB123,543,000.

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For the six months ended 30 June 2016
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

18. Intangible assets (Continued)

- (2) The total net book value of intangible assets used for borrowing pledge at the end of current period is RMB302,421,700, including: (Continued)
- 3) The net book value of land use right used by Qilianshan Holdings (a second-level company of the Group) for pledge at the end of current period is RMB10,364,800.
- 4) The net book value of land use right used by Tianshan Cement (a second-level company of the Group) for pledge at the end of current period is RMB37,397,900.
- 5) The net book value of land use right used by Sinoma Science & Technology (a second-level company of the Group) for pledge at the end of current period is RMB107,607,500.
- (3) Land use right in the process of title certificate handling

| Item | Book value | Reason |
|--|--------------|-------------|
| Land occupied by Wuhai Xishui | 3,164,742.87 | In progress |
| Land of Sinoma Science & Technology (Chengdu) Co., Ltd. | 8,226,757.34 | In progress |
| Land use right of Jiangsu Solar Energy | 4,681,733.28 | In progress |
| Land use right of Sinoma Chuzhou Cement | 3,201,272.71 | In progress |
| Liangshan Industrial Park in Nanzheng County, Hanzhong City, Shaanxi Province | 5,963,517.88 | In progress |
| Land use right of Pingliang Qilianshan | 3,652,661.70 | In progress |
| Land use right of Xiahe Qilianshan Anduo Company | 9,364,497.57 | In progress |

19. Development expenditures

| Item | As at 31 December 2015 | Expenditure of Internal development | Decrease in current period | | Transferred to fixed assets | Transferred to inventories | Others | As at 30 June 2016 |
|---|------------------------------|---|---|---|--------------------------------|-------------------------------|--------|-----------------------|
| | | | Amount recognized as intangible assets | Amount transferred to current profit or loss | | | | |
| Secret-associated Project of Sinoma Science & Technology | 40,644,061.62 | 16,084,669.59 | 2,452,147.97 | 7,691,528.90 | - | - | - | 46,585,054.34 |
| Development of Quartz Ceramic Supporting Roller for Anneal kiln of Float Advanced Generation TFT Substrate and Cover Plate Glass | - | 1,298,619.35 | - | - | - | - | - | 1,298,619.35 |
| Total | 40,644,061.62 | 17,383,288.94 | 2,452,147.97 | 7,691,528.90 | - | - | - | 47,883,673.69 |

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For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

20. Goodwill

(1) Original value

| Investee entities | As at 31 December 2015 | Increase in current period | | Decrease in current period | | As at 30 June 2016 |
|--|---------------------------|--------------------------------------|---------------|----------------------------|--------|-----------------------|
| | | Formed by business combination | Others | Disposal | Others | |
| Tianshui Huajian Concrete Engineering Co., Ltd. | 1,002,082.33 | - | - | - | - | 1,002,082.33 |
| Wuhai Xishui Cement Co., Ltd. | 4,577,989.16 | - | - | - | - | 4,577,989.16 |
| Shandong Taishan Composite Materials Co., Ltd. | 22,867,669.65 | - | - | - | - | 22,867,669.65 |
| LNV Technology Pvt. Ltd. | 57,764,891.11 | - | - | - | - | 57,764,891.11 |
| Pradhan Mercantile Pvt. Ltd. | 3,810,896.12 | - | 11,739.12 | - | - | 3,822,635.24 |
| Anhui Jieyuan Environmental Protection Technology Co., Ltd. | 704,880,065.68 | - | - | - | - | 704,880,065.68 |
| HAZEMAG & EPR GmbH | 460,312,581.29 | - | 18,152,477.77 | - | - | 478,465,059.06 |
| Yixing Tianshan Cement Co., Ltd. | 31,786,469.79 | - | - | - | - | 31,786,469.79 |
| Xinjiang Tianshan Building Material Testing Co., Ltd. | 698,738.04 | - | - | - | - | 698,738.04 |
| Yongdeng Qilianshan Cement Co., Ltd. | 17,916,741.21 | - | - | - | - | 17,916,741.21 |
| Lanzhou Qilianshan Concrete Engineering Co., Ltd. | 2,157,744.42 | - | - | - | - | 2,157,744.42 |
| Tianshui Qilianshan Cement Co., Ltd. | 10,260,776.72 | - | - | - | - | 10,260,776.72 |
| Honggu Qilianshan Cement Co., Ltd. | 6,746,708.34 | - | - | - | - | 6,746,708.34 |
| Gangu Qilianshan Cement Co., Ltd. | 4,707,137.27 | - | - | - | - | 4,707,137.27 |
| Tianshui Qilianshan Cement Sales Co., Ltd. | 484,569.34 | - | - | - | - | 484,569.34 |
| Gansu Gulangxia Cement Co., Ltd. | 7,220,241.61 | - | - | - | - | 7,220,241.61 |
| Xiahe Qilianshan Anduo Cement Co., Ltd. | 145,289,337.18 | - | - | - | - | 145,289,337.18 |
| Gansu Zhangye Julong Building Material Co., Ltd. | 26,013,505.51 | - | - | - | - | 26,013,505.51 |
| Longnan Qilianshan Cement Co., Ltd. | 15,070,549.46 | - | - | - | - | 15,070,549.46 |
| Gansu Qilianshan Cement Group Co., Ltd. | 258,907,043.13 | - | - | - | - | 258,907,043.13 |
| Gansu Qilianshan Building Materials Holdings Co., Ltd. | 155,967,544.65 | - | - | - | - | 155,967,544.65 |
| Jiugang (Group) Hongda Building Materials Co., Ltd. | 21,987,055.06 | - | - | - | - | 21,987,055.06 |
| Total | 1,960,430,337.07 | - | 18,164,216.89 | - | - | 1,978,594,553.96 |

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For the six months ended 30 June 2016
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

20. Goodwill (Continued)

(2) Provision for impairment of goodwill

| Investee entities | As at 31 December 2015 | Increase in current period | | Decrease in current period | | As at 30 June 2016 |
|--|---------------------------|----------------------------|--------|----------------------------|--------|-----------------------|
| | | Charge amount | Others | Disposal | Others | |
| Yixing Tianshan Cement Co., Ltd. | 9,067,864.14 | - | - | - | - | 9,067,864.14 |
| Honggu Qilianshan Cement Co., Ltd. | 3,253,374.14 | - | - | - | - | 3,253,374.14 |
| Gansu Gulangxia Cement Co., Ltd. | 7,220,241.61 | - | - | - | - | 7,220,241.61 |
| Xiahe Qilianshan Anduo Cement Co., Ltd. | 120,805,700.00 | - | - | - | - | 120,805,700.00 |
| Tianshui Qilianshan Cement Co., Ltd. | 10,260,776.72 | - | - | - | - | 10,260,776.72 |
| Tianshui Qilianshan Cement Sales Co., Ltd. | 484,569.34 | - | - | - | - | 484,569.34 |
| Gansu Qilianshan Building Materials Holdings Co., Ltd. | 32,260,514.41 | - | - | - | - | 32,260,514.41 |
| LNV Technology Pvt. Ltd. | 57,764,891.11 | - | - | - | - | 57,764,891.11 |
| Gansu Qilianshan Cement Group Co., Ltd. | 70,652,923.19 | - | - | - | - | 70,652,923.19 |
| Wuhai Xishui Cement Co., Ltd. | 4,577,989.16 | - | - | - | - | 4,577,989.16 |
| Total | 316,348,843.82 | - | - | - | - | 316,348,843.82 |

21. Long-term prepayments

| Item | As at 31 December 2015 | Increase in current period | Amortization in current period | Other decrease in current year | As at 30 June 2016 |
|--|---------------------------|-------------------------------|-----------------------------------|-----------------------------------|-----------------------|
| Project agency fee (Note 1) | 129,788,046.44 | - | 38,582,368.52 | - | 91,205,677.92 |
| Compensation fees (Note 2) | 310,875,573.16 | 1,081,724.77 | 10,173,076.93 | - | 301,784,221.00 |
| Construction cost | 63,303,027.72 | 2,156,546.82 | 3,941,252.38 | - | 61,518,322.16 |
| Improvement expenditures of fixed assets | 25,679,074.35 | 3,596,746.26 | 2,993,008.20 | - | 26,282,812.41 |
| House decoration cost | 18,100,438.12 | 4,101,495.17 | 3,056,898.66 | - | 19,145,034.63 |
| Quarry site stripping fee | 38,446,246.37 | 1,080,640.00 | 4,157,710.16 | - | 35,369,176.21 |
| Handling charge for Letter of Guarantee | 2,835,571.03 | 4,524,116.13 | 1,945,832.47 | - | 5,413,854.69 |
| Reconstruction cost of environmental protection area | 57,091,321.56 | - | 4,812,451.97 | - | 52,278,869.59 |
| Others | 42,638,426.84 | 30,916,168.59 | 16,771,948.39 | - | 56,782,647.04 |
| Total | 688,757,725.59 | 47,457,437.74 | 86,434,547.68 | - | 649,780,615.65 |

Note 1: Sinoma International (a second-level company of the Group) draws payable project agency fees as per agency fee contract and nature of each project and includes the fees in construction cost within the benefit period of the agency fees (project construction period) by using straight-line depreciation.

Note 2: For Sinoma Cement (a second-level company of the Group), the long-term deferred expense includes actually incurred demolition compensation, exploration evaluation and main area reconstruction fees.

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

22. Deferred income tax assets and liabilities

(1) Deferred income tax assets not offset

| Item | As at 30 June 2016 | | As at 31 December 2015 | |
|---|---------------------------------|----------------------------|---------------------------------|----------------------------|
| | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Provision for impairment of assets | 2,379,095,314.36 | 428,904,495.31 | 2,469,785,097.62 | 411,487,504.12 |
| Internal sales profit not realized | 974,199,704.76 | 241,185,764.70 | 1,075,187,920.05 | 254,053,181.76 |
| Deferred income | 202,592,097.03 | 34,431,268.24 | 200,521,166.86 | 33,908,706.96 |
| Depreciation of fixed assets | 234,305,950.72 | 36,644,597.37 | 236,426,173.21 | 36,962,630.76 |
| Employee benefits | 262,674,686.29 | 49,634,594.05 | 245,574,202.57 | 41,615,523.72 |
| Special reserve | 25,345,461.36 | 4,416,087.96 | 25,345,461.36 | 4,416,087.96 |
| Special payables | 33,959,409.73 | 5,093,911.46 | 33,959,409.73 | 5,093,911.46 |
| Provisions | 182,275,103.18 | 32,959,031.50 | 204,494,189.70 | 40,583,353.70 |
| Estimated value of trading financial instruments and derivative financial instruments | 17,241,108.91 | 2,586,166.34 | 9,142,168.24 | 1,779,248.27 |
| Accrued expense | 71,021,347.61 | 10,834,597.43 | 69,046,284.83 | 10,538,338.02 |
| Appraisal depreciation | 73,080,149.70 | 18,270,037.43 | 78,846,995.98 | 19,711,748.96 |
| Amortization of intangible assets | 34,213,555.82 | 5,132,033.38 | 34,213,555.84 | 5,132,033.38 |
| Non-deductible losses | 272,847,053.81 | 75,580,572.09 | 272,847,053.81 | 75,580,572.09 |
| Others | 3,399,312.34 | 510,322.29 | 862,362.77 | 130,417.99 |
| Total | 4,766,250,255.62 | 946,183,479.55 | 4,956,252,042.57 | 940,993,259.15 |

(2) Deferred income tax liabilities not offset

| Item | As at 30 June 2016 | | As at 31 December 2015 | |
|---|------------------------------|---------------------------------|------------------------------|---------------------------------|
| | Taxable temporary difference | Deferred income tax liabilities | Taxable temporary difference | Deferred income tax liabilities |
| Estimated value of trading financial instruments and derivative financial instruments | 6,977,161.93 | 1,046,574.29 | 2,856,000.00 | 428,400.00 |
| Changes in fair value of available-for-sale financial assets included in other comprehensive income | 1,905,036,981.61 | 446,662,968.39 | 2,475,634,512.63 | 581,567,868.93 |
| Assessment appreciation | 1,213,612,322.98 | 280,318,200.88 | 1,230,986,227.64 | 298,720,149.08 |
| Others | 14,024,596.36 | 3,506,149.08 | 1,556,238.52 | 389,059.63 |
| Total | 3,139,651,062.88 | 731,533,892.64 | 3,711,032,978.79 | 881,105,477.64 |

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For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

23. Other non-current assets

| Item | As at 30 June 2016 | As at 31 December 2015 |
|----------------------------|-----------------------|---------------------------|
| Temporary facility | 259,036,124.80 | 201,862,082.74 |
| Factory relocation project | <u>37,728,725.19</u> | <u>38,885,408.41</u> |
| Total | <u>296,764,849.99</u> | <u>240,747,491.15</u> |

24. Short-term borrowings

(1) Classification

| Category | As at 30 June 2016 | As at 31 December 2015 |
|----------------------|--------------------------|---------------------------|
| Pledge borrowing | 66,423,375.00 | 71,821,532.04 |
| Mortgage borrowing | 229,500,000.00 | 539,298,040.19 |
| Guaranteed borrowing | 4,605,685,887.49 | 5,025,512,252.14 |
| Credit borrowing | <u>7,027,696,564.71</u> | <u>6,672,335,494.31</u> |
| Total | <u>11,929,305,827.20</u> | <u>12,308,967,318.68</u> |

(2) There is no short-term borrowing due but unpaid in current period.

25. Financial liabilities at fair value through profit or loss

| Item | As at 30 June 2016 | As at 31 December 2015 |
|--|-----------------------|---------------------------|
| Trading financial liabilities | 17,241,108.91 | 9,142,168.24 |
| Including: forward foreign exchange contract | <u>17,241,108.91</u> | <u>9,142,168.24</u> |
| Total | <u>17,241,108.91</u> | <u>9,142,168.24</u> |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

26. Bills payable

| Category | As at 30 June 2016 | As at 31 December 2015 |
|-----------------------------|-------------------------|---------------------------|
| Bank acceptance bills | 4,286,409,584.94 | 3,947,514,481.30 |
| Commercial acceptance bills | <u>274,767,241.38</u> | <u>634,359.63</u> |
| Total | <u>4,561,176,826.32</u> | <u>3,948,148,840.93</u> |

27. Accounts payable

(1) Accounts payable

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

(2) Significant accounts payable aged over 1 year

| Name | As at 30 June 2016 | Reasons for not repaying or carrying forward |
|--|-----------------------|---|
| Chengdu Leejun Industrial Co., Ltd. | 30,340,000.00 | Settlement period undue |
| Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd | 28,652,450.00 | Settlement period undue |
| Zhenjiang Construction Group Co., Ltd. | 22,804,387.68 | Settlement period undue |
| Akesu Huatong Construction Installation Engineering Co., Ltd. | 22,755,982.07 | Settlement period undue |
| Foshan Quansheng Trade Co., Ltd. | <u>20,352,627.69</u> | Settlement period undue |
| Total | <u>124,905,447.44</u> | |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

28. Accounts received in advance

(1) Accounts received in advance

| Account age | As at 30 June 2016 | As at 31 December 2015 |
|--------------------|-------------------------------|---------------------------|
| Within 1 year | 6,976,439,686.30 | 8,098,704,768.62 |
| 1-2 years | 2,479,625,212.94 | 1,202,572,972.39 |
| 2-3 years | 92,628,915.19 | 158,465,510.19 |
| Over 3 years | 58,532,683.21 | 93,168,168.21 |
| Total | 9,607,226,497.64 | 9,552,911,419.41 |

(2) Significant accounts received in advance age over 1 year:

| Name | As at 30 June 2016 | Reasons for not repaying or carrying forward |
|---|-------------------------------|--|
| Algeria BISKRA Cement Co., Ltd. | 186,891,206.39 | Unsettled |
| United Cement Group | 182,342,299.86 | Unsettled |
| Al Badia Cement (JSC) | 151,071,335.38 | Unsettled |
| Closed Joint Stock Company | 117,030,296.07 | Unsettled |
| Iraq Mass Industrial Investment Corporation | 85,813,271.87 | Unsettled |
| Total | 723,148,409.57 | |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

29. Employee benefits Payable

(1) Classification

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|---|---------------------------|-------------------------------|-------------------------------|-----------------------|
| Short-term remuneration | 664,876,086.94 | 2,116,999,890.06 | 2,294,882,436.17 | 486,993,540.83 |
| Post-employment benefits – defined contribution plan | 27,748,139.89 | 266,809,054.79 | 259,293,844.58 | 35,263,350.10 |
| Termination benefits | 26,550,383.33 | 14,741,050.47 | 11,946,686.44 | 29,344,747.36 |
| Total | 719,174,610.16 | 2,398,549,995.32 | 2,566,122,967.19 | 551,601,638.29 |

(2) Short-term remuneration

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|---|---------------------------|-------------------------------|-------------------------------|-----------------------|
| Salary, bonus, allowance and subsidy | 467,907,358.07 | 1,709,204,175.95 | 1,906,614,314.13 | 270,497,219.89 |
| Employee welfare expenses | 223,104.34 | 90,878,324.02 | 88,268,568.31 | 2,832,860.05 |
| Social insurance premiums | 7,842,050.18 | 137,238,017.47 | 131,803,053.57 | 13,277,014.08 |
| Including: medical insurance premiums | 6,304,961.28 | 115,897,156.40 | 111,332,560.81 | 10,869,556.87 |
| Work-related injury insurance premiums | 838,167.37 | 14,480,923.48 | 13,978,238.63 | 1,340,852.22 |
| Maternity insurance premium | 698,921.53 | 6,859,937.59 | 6,492,254.13 | 1,066,604.99 |
| Housing funds | 14,550,604.67 | 140,671,541.00 | 136,983,495.43 | 18,238,650.24 |
| Labor union expenditure & personnel education fund | 168,251,249.46 | 37,783,910.92 | 24,911,832.43 | 181,123,327.95 |
| Others | 6,101,720.22 | 1,223,920.70 | 6,301,172.30 | 1,024,468.62 |
| Total | 664,876,086.94 | 2,116,999,890.06 | 2,294,882,436.17 | 486,993,540.83 |

(3) Defined contribution plan

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|--------------------------------|---------------------------|-------------------------------|-------------------------------|-----------------------|
| Basic pension | 20,941,690.66 | 246,428,267.01 | 239,752,697.84 | 27,617,259.83 |
| Unemployment insurance expense | 6,696,549.23 | 15,930,990.82 | 15,353,823.64 | 7,273,716.41 |
| Enterprise annuity | 109,900.00 | 4,449,796.96 | 4,187,323.10 | 372,373.86 |
| Total | 27,748,139.89 | 266,809,054.79 | 259,293,844.58 | 35,263,350.10 |

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For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

30. Taxes Payable

| Item | As at 30 June 2016 | As at 31 December 2015 |
|---------------------------------------|-----------------------|---------------------------|
| Value-added tax (VAT) | 161,954,001.61 | 155,308,994.21 |
| Business tax | 22,505,096.87 | 100,738,380.19 |
| Corporate income tax | 234,056,191.45 | 239,825,990.60 |
| Individual income tax | 19,038,904.78 | 19,140,404.74 |
| City maintenance and construction tax | 11,000,809.33 | 15,863,170.39 |
| Resource tax | 37,483,558.24 | 28,321,949.76 |
| Property tax | 15,530,488.17 | 15,157,950.10 |
| Land use tax | 27,464,333.18 | 25,872,731.63 |
| Education surcharge | 10,486,638.29 | 13,145,314.54 |
| Mineral resources compensation | 12,502,500.15 | 10,833,056.19 |
| Others | 8,934,367.90 | 16,903,041.70 |
| | 560,956,889.97 | 641,110,984.05 |
| Total | 560,956,889.97 | 641,110,984.05 |

31. Interests payable

| Item | As at 30 June 2016 | As at 31 December 2015 |
|---|-----------------------|---------------------------|
| Interest of long-term borrowings for which interest to be paid in installment, principal to be paid when due | 3,414,534.82 | 1,126,677.80 |
| Bond interest | 402,750,739.62 | 246,070,102.45 |
| Interest payable of short-term borrowings | 2,198,817.16 | 10,530,269.12 |
| Long-term borrowing interest | 78,152,674.27 | 29,843,857.29 |
| | 486,516,765.87 | 287,570,906.66 |
| Total | 486,516,765.87 | 287,570,906.66 |

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For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

32. Dividends payable

(1) Details

| Item | As at 30 June 2016 | As at 31 December 2015 |
|-------------------------|---------------------------|---------------------------|
| Ordinary share dividend | <u>306,113,347.40</u> | <u>221,536,460.30</u> |
| Total | <u>306,113,347.40</u> | <u>221,536,460.30</u> |

(2) Dividends distribution of the Company

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

33. Other payables

(1) Classification of other payables by nature

| Nature | As at 30 June 2016 | As at 31 December 2015 |
|--|---------------------------|---------------------------|
| Project fund and quality guarantee deposit | 165,422,411.53 | 143,075,510.23 |
| Performance bond | 297,505,426.83 | 300,550,779.40 |
| Bid bond | 161,810,969.12 | 108,713,546.16 |
| Deposit | 131,278,648.29 | 113,439,576.83 |
| Employee housing subsidy | 7,698,976.79 | 22,071,582.69 |
| Investment funds | 41,835,176.33 | 53,142,166.99 |
| Agency fund | 342,702,164.05 | 285,672,725.55 |
| Intercourse funds | 239,908,277.09 | 186,793,988.45 |
| Others | <u>239,603,046.65</u> | <u>208,173,749.10</u> |
| Total | <u>1,627,765,096.68</u> | <u>1,421,633,625.40</u> |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

33. Other payables (Continued)

(2) Payables with significant amount and aged of over 1 year

| Name | As at 30 June 2016 | Reasons for not repaying or carrying forward |
|--|-----------------------|--|
| Sinoma Trading Corporation Ltd. | 83,338,832.38 | Intercourse funds unpaid |
| Wuhan Hansun Machinery & Equipment Imp. & Exp. Co., Ltd. | 29,087,856.03 | Equipment warranty gold unpaid |
| Xiahe Anduo Investment Co., Ltd. | 16,612,333.00 | Business unsettled |
| Wenxian Bureau of Finance | 9,900,000.00 | Post-disaster reconstruction fund |
| Lanzhou Jiafuyuan Food & Beverage Management Co., Ltd. | 8,793,413.25 | Business unsettled |
| Total | 147,732,434.66 | - |

34. Non-current liabilities due within one year

| Item | As at 30 June 2016 | As at 31 December 2015 |
|--|-------------------------|------------------------|
| Long-term borrowings due within one year | 1,564,089,529.83 | 2,627,650,400.33 |
| Long-term payables due within one year | 102,335,796.02 | 138,924,958.60 |
| Bonds payable due within one year | 4,499,756,613.59 | 5,657,821,538.73 |
| Total | 6,166,181,939.44 | 8,424,396,897.66 |

35. Other current liabilities

(1) Classification

| Item | As at 30 June 2016 | As at 31 December 2015 |
|--|-------------------------|------------------------|
| Payment of settled but not completed construction contract | 1,308,669,949.45 | 1,052,276,077.87 |
| Government grants | 36,771,855.45 | 46,846,147.30 |
| Short-term financing bills | 6,900,000,000.00 | 5,250,000,000.00 |
| Lease payment of sale-leaseback assets due within one year | 53,644,741.82 | 50,854,166.65 |
| Total | 8,299,086,546.72 | 6,399,976,391.82 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

35. Other current liabilities (Continued)

(2) Short-term financing bills

| Name of bills | Par value (RMB100 million) | Date of issue | Term of bills | Amount issued (RMB100 million) | As at | | Amortization of premiums and discounts | Repayment in current period (RMB100 million) | As at 30 June 2016 (RMB100 million) |
|--|-------------------------------|------------------|------------------|-----------------------------------|---|--|--|--|---|
| | | | | | 31 December 2015 (RMB100 million) | Amount issued in current period (RMB100 million) | | | |
| 15 Tianshan Cement SCP001 | 5.00 | 2015-4-23 | 9 months | 5.00 | 5.00 | - | - | 5.00 | - |
| 15 Tianshan Cement SCP003 | 5.00 | 2015-7-31 | 9 months | 5.00 | 5.00 | - | - | 5.00 | - |
| 15 Sinoma Cement CP001 | 5.00 | 2015-10-29 | 1 year | 5.00 | 5.00 | - | - | - | 5.00 |
| 15 Sinoma Cement SCP001 | 5.00 | 2015-5-15 | 9 months | 5.00 | 5.00 | - | - | 5.00 | - |
| 15 Sinoma Cement SCP002 | 5.00 | 2015-9-15 | 9 months | 5.00 | 5.00 | - | - | 5.00 | - |
| 16 Sinoma Cement CP001 | 6.00 | 2016-2-3 | 1 year | 6.00 | - | 6.00 | - | - | 6.00 |
| 16 Sinoma Cement SCP1 | 5.00 | 2016-6-8 | 9 months | 5.00 | - | 5.00 | - | - | 5.00 |
| 15 Science & Technology SCP001 | 5.00 | 2015-12-3 | 6 months | 5.00 | 5.00 | - | - | 5.00 | - |
| 16 Science & Technology SCP001 | 3.00 | 2016-2-16 | 6 months | 3.00 | - | 3.00 | - | - | 3.00 |
| 16 Science & Technology SCP002 | 5.00 | 2016-4-25 | 6 months | 5.00 | - | 5.00 | - | - | 5.00 |
| 15 Ningxia Building Materials CP001 | 5.00 | 2015-8-6 | 1 year | 5.00 | 5.00 | - | - | - | 5.00 |
| 15 Sinoma Engineering CP001 | 5.00 | 2015-7-20 | 1 year | 5.00 | 5.00 | - | - | - | 5.00 |
| 15 Sinoma SCP003 | 12.50 | 2015-9-8 | 9 months | 12.50 | 12.50 | - | - | 12.50 | - |
| 15 Sinoma SCP001 | 35.00 | 2016-5-13 | 9 months | 35.00 | - | 35.00 | - | - | 35.00 |
| Total | 106.50 | - | - | 106.50 | 52.50 | 54.00 | - | 37.50 | 69.00 |

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For the six months ended 30 June 2016
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

36. Long-term borrowings

| Category | As at 30 June 2016 | As at 31 December 2015 |
|-----------------------|-------------------------------|---------------------------|
| Pledge borrowings | 419,750,000.00 | 76,500,000.00 |
| Mortgage borrowings | 1,225,797,098.50 | 1,246,036,800.00 |
| Guaranteed borrowings | 4,266,679,807.19 | 3,092,509,753.77 |
| Credit borrowings | 666,928,126.32 | 771,684,662.66 |
| Total | 6,579,155,032.01 | 5,186,731,216.43 |

37. Bonds payable

(1) Classification

| Item | As at 30 June 2016 | As at 31 December 2015 |
|-------------------|-------------------------------|---------------------------|
| Medium-term notes | 4,100,000,000.00 | 4,100,000,000.00 |
| Total | 4,100,000,000.00 | 4,100,000,000.00 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

37. Bonds payable (Continued)

(2) Increase and decrease of bonds payable

| Name of bond | Total par value (RMB100 million) | Date of issue | Date of maturity | Amount issued | As at 31 December 2015 | Amount issued in current period | Interest accrued at par value | Amortization of premiums and discounts | Repayment in current period | Reclassification at the end of the period | As at 30 June 2016 |
|-------------------|-------------------------------------|---------------|------------------|------------------|---------------------------|------------------------------------|----------------------------------|--|--------------------------------|---|--------------------|
| Medium-term notes | 2.00 | 2015.9.16 | 2018.9.16 | 200,000,000.00 | 200,000,000.00 | - | 5,856,666.66 | - | - | - | 200,000,000.00 |
| Medium-term notes | 25.00 | 2015.8.14 | 2020.8.14 | 2,500,000,000.00 | 2,500,000,000.00 | - | 57,000,000.00 | - | - | - | 2,500,000,000.00 |
| Medium-term notes | 9.00 | 2012.8.15 | 2017.8.15 | 900,000,000.00 | 900,000,000.00 | - | 25,107,049.18 | - | - | - | 900,000,000.00 |
| Medium-term notes | 5.00 | 2014.8.20 | 2018.8.20 | 500,000,000.00 | 500,000,000.00 | - | 16,825,000.00 | - | - | - | 500,000,000.00 |
| Total | 41.00 | - | - | 4,100,000,000.00 | 4,100,000,000.00 | - | 104,788,715.84 | - | - | - | 4,100,000,000.00 |

- On 16 September 2015, Qilianshan Co. (a third-level company of the Group) issued RMB200 million of 3-year fixed-rate medium-term notes with 6.35% of nominal interest rate paid on a yearly basis. The interest expenses drawn in current period is RMB5,856,666.66.
- On 14 August 2015, the Company issued RMB2.5 billion of 5-year fixed-rate medium-term notes with 4.56% of nominal interest rate paid on a yearly basis. The interest expenses drawn in current period is RMB57,000,000.00.
- On 15 August 2012, Ningxia Building Materials (a second-level company of the Group) issued RMB900 million of 5-year fixed-rate medium-term notes with 5.61% of nominal interest rate paid on a yearly basis. The interest expenses drawn in current period is RMB25,107,049.18.
- On 20 August 2014, Qilianshan Co., (a third-level company of the Group) issued RMB500 million of 4-year fixed-rate medium-term notes with 6.73% of nominal interest rate paid on a yearly basis. The interest expenses drawn in current period is RMB16,825,000.00.

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For the six months ended 30 June 2016
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

38. Long-term payables

| Nature | As at 30 June 2016 | As at 31 December 2015 |
|---------------------|-----------------------|---------------------------|
| Project agency fee | 125,848,547.74 | 136,843,406.70 |
| Allowance for staff | 409,168,136.57 | 428,272,194.00 |
| Finance lease | 377,910,264.48 | 249,939,608.13 |
| Other items | <u>3,648,735.79</u> | <u>9,696,585.50</u> |
| Total | <u>916,575,684.58</u> | <u>824,751,794.33</u> |

39. Long-term employee benefits payable

(1) Classification

| Item | As at 30 June 2016 | As at 31 December 2015 |
|---|-----------------------|---------------------------|
| Net liabilities of post-employment benefits – defined benefit plan | 218,505,183.80 | 229,743,310.21 |
| Termination benefits | 37,081,000.00 | 43,900,811.03 |
| Other long-term benefits | <u>26,889,868.22</u> | <u>21,738,076.79</u> |
| Total | <u>282,476,052.02</u> | <u>295,382,198.03</u> |

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

39. Long-term employee benefits payable (Continued)

(2) Changes in defined benefit plan – present value of obligations in defined benefit plan

| Item | Six months ended 30 June 2016 |
|---|----------------------------------|
| As at 31 December 2015 | 229,743,310.21 |
| Defined benefit cost included in current profits and losses | 2,866,000.00 |
| 1. Current service cost | – |
| 2. Previous service cost | – |
| 3. Settlement gains (losses to be listed with “-”) | – |
| 4. Net interest | 2,866,000.00 |
| 5. Other changes | – |
| Defined benefit cost included in other comprehensive incomes | -6,441,126.41 |
| 1. Actuarial gains (losses to be listed with “-”) | -6,441,126.41 |
| Other changes | -7,663,000.00 |
| 1. Liabilities eliminated in settlement | – |
| 2. Paid welfare | -7,663,000.00 |
| 3. Others | – |
| As at 30 June 2016 | <u>218,505,183.80</u> |

Note 1: Some domestic subsidiaries of the Group provide the retired employees with supplementary benefit plan beyond the social planning, such as medical expense reimbursement and funeral grants. Main actuarial assumption is described below:

| Actuarial assumption | Six months ended 30 June 2016 |
|--------------------------------------|----------------------------------|
| Discount rate | 3% |
| Welfare growth rate | – |
| Including: social insurance premiums | 5% |
| Funeral expenses | 5% |
| Medical expenses | 6% |
| Mortality rate | – |
| Including: male | 1.19% |
| Female | <u>0.75%</u> |

Sensitivity analysis of main assumptions:

| Actuarial assumption | Change in assumption | Influence on balance as at 30 June 2016 |
|----------------------|------------------------|--|
| Discount rate | Increase/decrease 0.5% | decrease/increase 9,746,000.00 |
| Welfare growth rate | Increase/decrease 0.5% | Increase/decrease 9,883,000.00 |
| Mortality rate | Increase/decrease 5% | decrease/increase 3,837,000.00 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

40. Special payables

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|--|---------------------------|-------------------------------|-------------------------------|-----------------------|
| Compensation for factory relocation of Sinoma Shangrao | 104,938,154.55 | – | 259,829.05 | 104,678,325.50 |
| Land compensation for old Xuzhou factory | 40,960,000.00 | 10,000,000.00 | – | 50,960,000.00 |
| Subsidy for factory relocation of Sinoma (Henan) Environmental Protection Co., Ltd. | 29,339,409.71 | – | – | 29,339,409.71 |
| 31 technical reform project | 19,100,000.00 | – | – | 19,100,000.00 |
| #5 research construction project | 18,630,000.00 | – | – | 18,630,000.00 |
| JCW06 | 13,000,000.00 | – | – | 13,000,000.00 |
| YF201107 extended cement research project | 7,720,000.00 | – | – | 7,720,000.00 |
| Innovation capacity building project of Beijing Engineering Lab | 4,500,000.00 | – | – | 4,500,000.00 |
| Research on cement kiln sludge drying and incineration technology and equipment development | 4,371,576.85 | 400,000.00 | 18,258.40 | 4,753,318.45 |
| Development of key technology to reduce nitrogen oxide emission of cement kiln | 4,353,793.65 | – | – | 4,353,793.65 |
| Development of key technology of energy conservation for multi-stage heat transfer and stepping cooling of cement | 3,703,765.42 | – | – | 3,703,765.42 |
| Industrialization project of electric-bag composite dust collector of Sinoma (Henan) Environmental Protection Co., Ltd. | 3,500,000.00 | – | – | 3,500,000.00 |
| Efficient bed-grinding equipment for ore milling | 2,735,927.34 | – | – | 2,735,927.34 |
| Special funds for achievement transformation project | 2,300,000.00 | – | 150,000.00 | 2,150,000.00 |
| Development and industrialization of complete equipment for resourceful treatment and pollution-free disposal of urban solid waste | 2,120,575.41 | – | 487,874.60 | 1,632,700.81 |
| Other projects | 26,284,558.15 | 13,936,262.80 | 21,546,402.29 | 18,674,418.66 |
| Total | 287,557,761.08 | 24,336,262.80 | 22,462,364.34 | 289,431,659.54 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

41. Provisions

| Item | As at 30 June 2016 | As at 31 December 2015 |
|---------------------------|--------------------|---------------------------|
| Pending litigation | 1,985,000.00 | 1,985,000.00 |
| Product quality guarantee | 146,345,495.68 | 144,868,800.32 |
| Others | 58,054,037.09 | 47,133,726.35 |
| Total | 206,384,532.77 | 193,987,526.67 |

42. Deferred income

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|--|---------------------------|-------------------------------|-------------------------------|-----------------------|
| Government grants | 874,204,609.33 | 90,150,178.63 | 39,302,734.13 | 925,052,053.83 |
| Unrealized profits and losses of sale-leaseback | -72,943,414.11 | - | -2,805,515.93 | -70,137,898.18 |
| Total | 801,261,195.22 | 90,150,178.63 | 36,497,218.20 | 854,914,155.65 |

43. Share capital

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

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

44. Capital reserve

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|-----------------------|---------------------------|-------------------------------|-------------------------------|--------------------------------|
| Share premiums | 1,478,828,583.08 | – | – | 1,478,828,583.08 |
| Other capital reserve | <u>3,214,911,053.67</u> | <u>1,089,913,539.36</u> | <u>217,899,720.59</u> | <u>4,086,924,872.44</u> |
| Total | <u>4,693,739,636.75</u> | <u>1,089,913,539.36</u> | <u>217,899,720.59</u> | <u>5,565,753,455.52</u> |

The main reason for the increase of capital reserve in current period is that Sinoma Science & Technology (a second-level company of the Group) issues additional shares and raises counterpart funds in order to buy 100% equity of CTG.

The main reason for the decrease of capital reserves in current period includes: change in shareholding proportion of the Company in its second-level subsidiary, i.e. Sinoma Science & Technology (a second-level company of the Group); and write-down of capital premiums due to acquisition of 8.42% of minority equity of Sinomatech Wind Power Blade Co., Ltd. by Sinoma Science & Technology.

45. Other comprehensive income

| Item | As at 31 December 2015 | Six months ended 30 June 2016 | | | | | As at 30 June 2016 |
|---|---------------------------|---|---|------------------------------|---|--|--------------------------------|
| | | Amount incurred before income tax in current period | Less: amount included in other comprehensive incomes in previous period and carried over to profits and losses in current period | Less: income tax expenses | After-tax amount attributable to the parent company | After-tax amount attributable to minority interests | |
| I. Other comprehensive incomes that cannot be subsequently reclassified to loss or profit | -26,521,436.57 | -6,441,126.41 | – | -2,039,357.45 | -749,065.08 | -3,652,703.88 | -27,270,501.65 |
| Including: changes arising from re-measurement of net liabilities or net assets of defined benefit plan | -26,521,436.57 | -6,441,126.41 | – | -2,039,357.45 | -749,065.08 | -3,652,703.88 | -27,270,501.65 |
| II. Other comprehensive income that may be subsequently reclassified to profit or loss | 1,391,660,580.11 | -531,105,877.23 | – | -134,861,680.49 | -326,629,933.27 | -69,614,263.47 | 1,065,030,646.84 |
| Including: shares of other comprehensive income that may be subsequently reclassified to loss or profit of investee entities under equity method | -7,230,274.36 | -3,686,580.08 | – | – | -2,220,795.84 | -1,465,784.24 | -9,451,070.20 |
| Including: profits and losses from changes in fair value of available-for-sale financial assets | 1,508,520,397.06 | -570,597,531.01 | – | -134,861,680.49 | -339,192,875.33 | -96,542,975.19 | 1,169,327,521.73 |
| Exchange differences on translation of foreign currency financial statements | -109,636,919.85 | 43,176,901.11 | – | – | 14,783,264.91 | 28,393,636.20 | -94,853,654.94 |
| Others | <u>7,377.26</u> | <u>1,332.75</u> | <u>–</u> | <u>–</u> | <u>472.99</u> | <u>859.76</u> | <u>7,850.25</u> |
| Total other comprehensive incomes | <u>1,365,139,143.54</u> | <u>-537,547,003.64</u> | <u>–</u> | <u>-136,901,037.94</u> | <u>-327,378,998.35</u> | <u>-73,266,967.35</u> | <u>1,037,760,145.19</u> |

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For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

46. Special reserve

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|-------------------|---------------------------|-------------------------------|-------------------------------|-----------------------|
| Production safety | 222,546,698.14 | 40,935,059.39 | 25,916,111.18 | 237,565,646.35 |
| Total | 222,546,698.14 | 40,935,059.39 | 25,916,111.18 | 237,565,646.35 |

47. Surplus reserve

| Item | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 |
|---------------------------|---------------------------|-------------------------------|-------------------------------|-----------------------|
| Statutory surplus reserve | 135,391,961.13 | – | – | 135,391,961.13 |
| Total | 135,391,961.13 | – | – | 135,391,961.13 |

48. Undistributed profits

| Item | Six months ended 30 June 2016 |
|---|----------------------------------|
| As at 31 December 2015 | 4,988,475,948.37 |
| Add: net profits attributable to owners of parent company in current period | 307,521,904.27 |
| Less: appropriation to statutory surplus reserve | – |
| Payable ordinary share dividends | 107,143,920.00 |
| appropriation to employee benefit fund | 1,350,000.00 |
| As at 30 June 2016 | 5,187,503,932.64 |

On 24 May 2016, the shareholders meeting of the Company deliberated and approved the profit distribution plan of 2015. The declared dividend of the current year can be RMB 0.03 per share (before tax) as of 31 December 2015 and the total amount is RMB 107 million.

49. Operating revenue and costs

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

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

50. Business taxes and surcharges

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---------------------------------------|----------------------------------|----------------------------------|
| Business Tax | 27,143,206.14 | 29,549,861.17 |
| City maintenance and construction tax | 48,400,479.48 | 47,259,629.80 |
| Education surcharge | 40,407,464.47 | 41,105,316.57 |
| Resource tax | 18,399,331.44 | 14,333,661.21 |
| Others | 8,111,763.33 | 7,052,677.25 |
| | <u>142,462,244.86</u> | <u>139,301,146.00</u> |
| Total | <u>142,462,244.86</u> | <u>139,301,146.00</u> |

51. Selling expenses

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---------------------------------------|----------------------------------|----------------------------------|
| Employee benefits | 169,176,625.06 | 183,685,513.67 |
| Depreciation and amortization charges | 41,199,010.57 | 44,578,911.48 |
| Transportation expenses | 257,478,404.95 | 215,476,636.91 |
| Advertisement expenses | 11,249,262.15 | 11,897,519.69 |
| Utilities, energy and power charges | 23,479,526.71 | 24,842,915.60 |
| Unloading expenses | 35,421,536.16 | 33,680,982.05 |
| Rent | 6,177,767.56 | 6,380,729.17 |
| Travel expense | 25,273,133.56 | 36,238,217.91 |
| Office expenses | 5,648,251.80 | 5,327,067.70 |
| Communication subsidy | 1,931,482.73 | 1,743,852.42 |
| Premium | 1,263,855.69 | 1,194,309.46 |
| Intermediary agency fee | 11,131,203.29 | 6,816,347.21 |
| Business entertainment expenses | 13,061,168.64 | 14,746,661.72 |
| Selling service fees | 58,997,602.47 | 40,631,815.31 |
| Labor expenses | 5,498,952.97 | 11,451,787.11 |
| Packing charges | 223,759,585.63 | 197,676,547.75 |
| Others | 31,886,349.04 | 43,033,711.09 |
| | <u>922,633,718.98</u> | <u>879,403,526.25</u> |
| Total | <u>922,633,718.98</u> | <u>879,403,526.25</u> |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

52. Administrative fees

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|-------------------------------------|----------------------------------|----------------------------------|
| Employee benefits | 645,383,245.43 | 713,050,852.78 |
| Depreciation and amortization | 249,653,822.04 | 236,514,999.56 |
| Inventory loss/gain | -338,415.00 | -476,673.83 |
| Transportation expenses | 10,499,150.64 | 11,786,893.56 |
| Research and development expenses | 300,593,906.39 | 267,505,115.67 |
| Utilities, energy and power charges | 19,468,332.92 | 25,662,373.25 |
| Property management fee | 18,642,200.34 | 10,191,759.97 |
| Maintenance cost of fixed assets | 147,632,526.20 | 162,548,886.74 |
| Intermediary service charge | 42,320,694.90 | 37,295,233.12 |
| Other taxes | 133,171,303.15 | 119,663,153.19 |
| Rent | 32,739,506.80 | 21,889,593.69 |
| Travel expense | 34,294,843.79 | 34,369,373.24 |
| Office expenses | 26,504,050.30 | 25,677,079.41 |
| Communication subsidy | 7,381,759.10 | 6,383,857.49 |
| Conference expenses | 3,630,088.26 | 4,718,674.17 |
| Premium | 15,637,934.60 | 16,181,513.96 |
| Business entertainment expenses | 19,239,729.64 | 38,114,538.77 |
| Sewage charges | 30,984,228.17 | 28,331,955.31 |
| Labor expenses | 25,975,318.67 | 13,143,870.89 |
| Others | 97,850,195.78 | 91,264,513.40 |
| Total | <u>1,861,264,422.12</u> | <u>1,863,817,564.34</u> |

53. Financial expenses

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

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

54. Assets impairment losses

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|--|----------------------------------|----------------------------------|
| Bad debt | 144,080,847.82 | 44,086,124.83 |
| Inventory impairment | 11,582,171.81 | 60,078,220.41 |
| Impairment of fixed assets | 2,111,584.62 | – |
| Impairment of intangible asset | – | 929,669.81 |
| Impairment of construction in progress | – | 2,293,340.13 |
| | <hr/> | <hr/> |
| Total | 157,774,604.25 | 107,387,355.18 |

55. Profit/loss from changes in fair value

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|--|----------------------------------|----------------------------------|
| Trading financial assets | -1,198,322.60 | 3,053,500.00 |
| Including: forward foreign exchange contract | -1,751,000.00 | 3,053,500.00 |
| Fund | 552,677.40 | – |
| Trading financial liabilities | -8,001,617.72 | 1,690,490.00 |
| Including: forward foreign exchange contract | -8,001,617.72 | 1,690,490.00 |
| | <hr/> | <hr/> |
| Total | -9,199,940.32 | 4,743,990.00 |

56. Investment incomes

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|--|----------------------------------|----------------------------------|
| Long-term equity investment income under the equity method | 9,706,126.31 | 16,182,236.09 |
| Investment income from disposal of long-term equity investment | 5,059,591.11 | 767,106.81 |
| Investment income from disposal of financial assets at fair value through profit or loss | 3,323,040.71 | 253,208.88 |
| Investment income from available-for-sale financial assets | 15,135,358.36 | 19,138,733.62 |
| Investment income from disposal of available-for-sale financial assets | 486,386.50 | 128,628,823.30 |
| Others | 326,771.25 | 481,471.55 |
| | <hr/> | <hr/> |
| Total | 34,037,274.24 | 165,451,580.25 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

57. Non-operating income

(1) Details

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 | Amount included |
|--|----------------------------------|----------------------------------|---|
| | | | in current non-recurring profits and losses |
| Gains from disposal of non-current assets | 51,274,971.69 | 9,521,465.82 | 51,274,971.69 |
| Including: gains from disposal of fixed assets | 38,675,856.77 | 9,374,318.48 | 38,675,856.77 |
| Gains from disposal of intangible assets | 11,430,000.00 | 117,248.00 | 11,430,000.00 |
| Gains from disposal of properties | | | |
| Gains from debt restructuring | 1,197,613.30 | 686,991.72 | 1,197,613.30 |
| Government grants | 239,052,988.13 | 322,194,319.35 | 131,500,111.39 |
| Liquidated damages | 5,722,099.55 | 7,073,605.98 | 5,722,099.55 |
| Other gains | 14,303,132.14 | 10,777,174.46 | 14,303,132.14 |
| Total | 311,550,804.81 | 350,253,557.33 | 203,997,928.07 |

(2) Details of government subsidies

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 | Asset-related/ income-related |
|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | | |
| 1. Tax refunds | 107,552,876.74 | 174,670,665.00 | Income-related |
| 2. Transfer-in of deferred income | 34,792,420.06 | 33,536,788.12 | Asset-related |
| 3. Special grants and bonus | 96,707,691.33 | 113,986,866.23 | Income-related |
| Total | 239,052,988.13 | 322,194,319.35 | |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

58. Non-operating expenditure

| Item | Six months ended | Six months ended | Amount included |
|---|----------------------|------------------|---|
| | 30 June 2016 | 30 June 2015 | in current non-recurring profits and losses |
| Losses from disposal of non-current assets | 13,989,729.59 | 4,867,442.33 | 13,989,729.59 |
| Including: Losses from disposal of fixed assets | 8,210,584.01 | 4,639,116.96 | 8,210,584.01 |
| Losses from disposal of intangible assets | 5,705,919.77 | – | 5,705,919.77 |
| Losses from property disposal | – | – | – |
| Losses from debt restructuring | 229,170.77 | 597,636.72 | 229,170.77 |
| Donation | 4,248,353.44 | 2,834,383.43 | 4,248,353.44 |
| Inventory losses | 18,204.35 | 34,849.60 | 18,204.35 |
| Abnormal losses | 110,578.02 | 104,469.21 | 110,578.02 |
| Compensation penalties | 5,403,762.86 | 7,517,619.34 | 5,403,762.86 |
| Relocation expenditures | – | 8,681,219.56 | – |
| Others | 8,825,503.77 | 3,778,432.03 | 8,825,503.77 |
| Total | 32,825,302.80 | 28,416,052.22 | 32,825,302.80 |

59. Income tax expenses

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

60. Other comprehensive income

See relevant contents in “VI. 45 Other comprehensive income” in the Notes for details.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

61. Items of Cash Flow Statement

(1) Supplementary information of consolidated cash flow statement

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---|----------------------------------|----------------------------------|
| 1. Reconciliation of net profit to cash flows from operating activities: | | |
| Net profit | 428,133,674.44 | 419,651,349.48 |
| Add: provision for impairment of assets | 157,774,604.25 | 107,387,355.18 |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets | 1,773,477,948.34 | 1,804,866,179.15 |
| Amortization of intangible assets | 130,753,099.74 | 153,518,570.43 |
| Amortization of long-term prepayments | 86,434,547.68 | 46,811,379.64 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-") | -37,285,242.10 | -4,654,023.49 |
| Loss from retirement of fixed assets (gains to be listed with "-") | | |
| Profits and losses of changes in fair value (gains to be listed with "-") | 9,199,940.32 | -4,743,990.00 |
| Financial expenses (gains to be listed with "-") | 914,409,371.34 | 1,031,310,648.21 |
| Investment loss (income to be listed with "-") | -34,037,274.24 | -165,451,580.25 |
| Decrease of deferred income tax assets (increases to be listed with "-") | -7,229,577.85 | -73,998,078.31 |
| Increases of deferred income tax liabilities (decreases to be listed with "-") | -284,433,265.49 | 89,716,882.35 |
| Decrease of inventory (increases to be listed with "-") | 178,990,765.39 | -1,361,230,221.86 |
| Decreases of operating receivables (increases to be listed with "-") | -234,482,235.04 | -732,072,613.09 |
| Increases of operating payables (decreases to be listed with "-") | -1,028,664,422.84 | -188,437,585.26 |
| Others | | |
| Net cash flows generated from operating activities | 2,052,841,933.94 | 1,122,674,272.18 |
| 2. Significant investing and financing activities not related to cash deposit and withdrawal: | | |
| Conversion of debt into capital | - | - |
| Convertible company bonds due within one year | - | - |
| Fixed assets acquired under finance leases | - | - |
| 3. Net change in cash and cash equivalents: | | |
| Closing balance of cash | 16,473,200,823.84 | 9,858,172,279.20 |
| Less: opening balance of cash | 12,951,276,987.11 | 10,108,922,653.84 |
| Add: closing balance of cash equivalents | - | - |
| Less: opening balance of cash equivalents | - | - |
| Net increase in cash and cash equivalents | 3,521,923,836.73 | -250,750,374.64 |

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For the six months ended 30 June 2016
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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

61. Items of Cash Flow Statement (Continued)

(2) Cash and cash equivalents

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---|----------------------------------|----------------------------------|
| Cash | 16,473,200,823.84 | 9,858,172,279.20 |
| Including: cash on hand | 86,634,140.14 | 55,934,107.95 |
| Bank deposit available for payments at any time | 16,377,371,946.70 | 9,432,719,562.29 |
| Other monetary funds available for payment at any time | 9,194,737.00 | 369,518,608.96 |
| Accounts deposited in Central Bank available for payments | - | - |
| Deposits in other banks | - | - |
| Interbank loans | - | - |
| Cash equivalents | - | - |
| Including: bond investment due within three months | - | - |
| Closing balance of cash and cash equivalents | 16,473,200,823.84 | 9,858,172,279.20 |
| Including: cash and cash equivalents with limited use of the parent company or subsidiaries of the Group | - | - |

62. Assets with title restrictions

See VI. 1, 3, 4, 13, 16 and 18 in the Notes for details.

63. Monetary items in foreign currency

(1) Monetary items in foreign currency

| Item | Foreign currency as at 30 June 2016 | Conversion exchange rate | RMB (Equivalent) as at 30 June 2016 |
|-----------------------|--|-----------------------------|--|
| Monetary funds | | | |
| Including: cash | | | |
| USD | 7,695,283.36 | 6.6312 | 51,028,963.03 |
| EUR | 92,298.92 | 7.3750 | 680,704.50 |
| IDR | 8,688,713,318.21 | 0.0005 | 4,377,329.21 |
| SAR | 2,497,878.98 | 1.7681 | 4,416,519.37 |
| ETB | 8,573,823.89 | 0.3027 | 2,595,296.49 |
| IQD | 1,034,925,193.96 | 0.0057 | 5,873,669.93 |
| NGN | 44,257,098.31 | 0.0235 | 1,038,859.01 |
| TZS | 175,249,182.87 | 0.0030 | 530,402.73 |
| EGP | 1,786,252.04 | 0.7468 | 1,333,903.29 |
| AED | 184,576.44 | 1.8054 | 333,237.13 |
| VND | 5,034,571,522.73 | 0.0003 | 1,496,626.65 |
| Others | 342,807,369.81 | - | 2,250,283.04 |

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For the six months ended 30 June 2016

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

63. Monetary items in foreign currency (Continued)

(1) Monetary items in foreign currency (Continued)

| Item | Foreign currency as at 30 June 2016 | Conversion exchange rate | RMB (Equivalent) as at 30 June 2016 |
|-----------------------------|--|-----------------------------|--|
| Cash in bank | | | |
| Including: USD | 601,715,713.02 | 6.6312 | 3,990,097,236.21 |
| EUR | 85,510,001.98 | 7.3750 | 630,636,264.64 |
| JPY | 57,102,595.56 | 0.0645 | 3,682,603.49 |
| AED | 35,735,437.79 | 1.8054 | 64,517,304.92 |
| IDR | 181,565,563,110.71 | 0.0005 | 91,471,799.59 |
| NGN | 3,787,415,016.17 | 0.0235 | 88,903,031.70 |
| ETB | 98,809,519.36 | 0.3027 | 29,909,641.51 |
| IQD | 1,791,784,332.25 | 0.0057 | 10,169,188.86 |
| TZS | 3,910,816,231.84 | 0.0030 | 11,836,332.54 |
| MYR | 3,656,174.83 | 1.6527 | 6,042,560.14 |
| SAR | 3,302,120.60 | 1.7681 | 5,838,505.27 |
| EGP | 5,049,559.73 | 0.7468 | 3,770,814.08 |
| RUB | 91,337,651.28 | 0.1041 | 9,506,911.40 |
| VND | 76,004,731,609.77 | 0.0003 | 22,593,920.13 |
| XOF | 271,499,203.57 | 0.0113 | 3,067,175.86 |
| Others | 961,561,770.00 | – | 106,407,732.65 |
| Other monetary funds | – | – | – |
| Including: USD | 4,805,050.06 | 6.6312 | 31,863,247.98 |
| EUR | 1,949,743.88 | 7.3750 | 14,379,361.11 |
| Others | 345,245.00 | – | 255,615.00 |
| Accounts receivable | | | |
| Including: USD | 100,440,592.08 | 6.6312 | 666,041,654.18 |
| EUR | 51,531,193.05 | 7.3750 | 380,042,548.71 |
| XOF | 3,437,807,171.25 | 0.0113 | 38,837,532.59 |
| IQD | 15,428,742,926.96 | 0.0057 | 87,565,114.77 |
| VND | 25,294,686,389.94 | 0.0003 | 7,519,349.28 |
| IDR | 215,949,679,305.78 | 0.0005 | 108,794,341.00 |
| TZS | 89,205,392,369.61 | 0.0030 | 269,985,758.96 |
| MYR | 2,422,539.29 | 1.6527 | 4,003,730.68 |
| JPY | 13,959,934.87 | 0.0645 | 900,290.16 |

Notes to Unaudited Financial Statements

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VI. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (Continued)

63. Monetary items in foreign currency (Continued)

(1) Monetary items in foreign currency (Continued)

| Item | Foreign currency as at 30 June 2016 | Conversion exchange rate | RMB (Equivalent) as at 30 June 2016 |
|------------------------------|--|-----------------------------|--|
| Other receivables | | | |
| Including: EUR | 3,239,564.85 | 7.3750 | 23,891,790.77 |
| IQD | 454,201,386.59 | 0.0057 | 2,577,798.90 |
| ETB | 29,799,307.63 | 0.3027 | 9,020,250.42 |
| ZAR | 37,700,896.60 | 0.4490 | 16,926,725.90 |
| SAR | 131,315.68 | 1.7681 | 232,180.29 |
| TZS | 43,270,822.64 | 0.0030 | 130,961.88 |
| IDR | 4,620,871,252.04 | 0.0005 | 2,327,971.24 |
| VND | 2,883,372.84 | 0.0003 | 857.14 |
| NGN | 1,086,704.38 | 0.0235 | 25,508.51 |
| MYR | 393,082.64 | 1.6527 | 649,647.68 |
| Accounts payable | | | |
| Including: USD | 3,275,568.22 | 6.6312 | 21,720,948.00 |
| EUR | 16,345,333.39 | 7.3750 | 120,546,833.78 |
| JPY | 76,262,131.77 | 0.0645 | 4,918,221.14 |
| MYR | 5,556,310.55 | 1.6527 | 9,182,914.45 |
| IQD | 6,712,242,556.43 | 0.0057 | 38,095,021.26 |
| TZS | 7,571,273,311.09 | 0.0030 | 22,914,937.28 |
| SAR | 669,009.27 | 1.7681 | 1,182,880.53 |
| ZAR | 74,578,814.44 | 0.4490 | 33,483,955.66 |
| VND | 9,209,604,872.00 | 0.0003 | 2,737,738.46 |
| NGN | 336,820,257.66 | 0.0235 | 7,906,274.31 |
| IDR | 341,545,586,240.00 | 0.0005 | 170,772,793.12 |
| ETB | 115,160,853.49 | 0.3027 | 34,859,190.35 |
| Other payables | | | |
| Including: EUR | 606,964.77 | 7.3750 | 4,476,365.18 |
| TZS | 2,057,835.76 | 0.0030 | 6,228.17 |
| IDR | 35,030,656,740.00 | 0.0005 | 17,515,328.37 |
| ZAR | 401,768.90 | 0.4490 | 180,383.83 |
| SAR | 123,730.45 | 1.7681 | 218,768.77 |
| VND | 58,296,030,037.45 | 0.0003 | 17,329,655.91 |
| Short-term borrowings | | | |
| Including: EUR | 16,000,000.00 | 7.3750 | 118,000,000.00 |
| SAR | 11,300,000.00 | 1.7681 | 19,979,618.45 |
| Long-term borrowings | | | |
| Including: EUR | 38,000,000.00 | 7.3750 | 280,250,000.00 |
| IDR | 1,270,800.00 | 0.0982 | 124,792.56 |
| Total | | | 7,746,781,904.10 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

- (1) Group composition (only including disclosure of second-level companies and excluding that of subsidiaries at third level or lower)

| Name of subsidiary | Main premise | Registration place | Nature of business | Shareholding proportion (%) | | Acquisition method |
|--|--------------|--------------------|--|-----------------------------|----------|--------------------|
| | | | | Direct | Indirect | |
| Sinoma International Engineering Co., Ltd. | Nanjing | Nanjing | Engineering contracting Equipment manufacturing | 39.70 | - | Establishment |
| Sinoma Mining Construction Co., Ltd. | Tianjin | Tianjin | Engineering contracting | 100.00 | - | Establishment |
| Xinjiang Tianshan Cement Co., Ltd. | Urumqi | Urumqi | Cement production | 35.49 | - | Purchase |
| Ningxia Building Materials Group Co., Ltd. | Yinchuan | Yinchuan | Cement production | 47.56 | - | Purchase |
| Sinoma Cement Co., Ltd. | Beijing | Beijing | Cement production | 100.00 | - | Establishment |
| Xiamen ISO Standard Sand Co., Ltd. | Xiamen | Xiamen | Material production | 51.00 | - | Establishment |
| Sinoma Science & Technology Co., Ltd. | Nanjing | Nanjing | Material production | 60.24 | - | Establishment |
| Sinoma Advanced Materials Co., Ltd. | Zibo | Zibo | Material production | 99.46 | - | Establishment |
| Sinoma Jinjing Fiber Glass Co., Ltd. | Zibo | Zibo | Material production | 50.01 | - | Establishment |
| Gansu Qilianshan Building Materials Holdings Co., Ltd. | Yongdeng | Yongdeng | Cement production | 51.00 | - | Purchase |
| China National Materials (Hong Kong) Co., Ltd. | Hong Kong | Hong Kong | Investment | 100.00 | - | Establishment |

- (2) Important non-wholly-owned subsidiaries

| Name of subsidiary | Shareholding proportion of minority interests (%) | Profit and loss | | |
|--|---|--|---|---------------------------------------|
| | | attributable to minority interests in current period | Dividends declared to pay to minority interests in current period | Minority interests as at 30 June 2016 |
| Sinoma International Engineering Co., Ltd. | 60.30 | 186,568,848.97 | 120,583,308.06 | 3,731,812,556.60 |
| Xinjiang Tianshan Cement Co., Ltd. | 64.51 | -67,036,169.23 | - | 3,710,697,758.51 |
| Xiamen ISO Standard Sand Co., Ltd. | 49.00 | 6,999,282.60 | 19,600,000.00 | 35,621,753.10 |
| Sinoma Science & Technology Co., Ltd. | 39.76 | 78,230,229.93 | - | 2,299,349,608.03 |
| Sinoma Advanced Materials Co., Ltd. | 0.54 | 73,342.54 | - | 2,484,330.53 |
| Sinoma Jinjing Fiber Glass Co., Ltd. | 49.09 | -20,840,000.32 | - | 98,100,754.79 |
| Gansu Qilianshan Building Materials Holdings Co., Ltd. | 49.00 | -2,131,479.15 | - | 287,442,206.40 |
| Ningxia Building Materials Group Co., Ltd. | 52.44 | -21,678,056.73 | 5,015,354.96 | 2,103,532,157.05 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Main financial information of important non-wholly-owned subsidiaries

| Name of subsidiary | As at 30 June 2016 (RMB'0,000) | | | | As at 31 December 2015 (RMB'0,000) | | | | | | | |
|--|--------------------------------|--------------------|--------------|---------------------|------------------------------------|-------------------|----------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Sinoma International Engineering Co., Ltd. | 2,260,674.22 | 511,420.02 | 2,772,094.24 | 1,665,545.94 | 211,575.17 | 2,077,121.11 | 2,326,023.01 | 527,490.12 | 2,853,513.13 | 2,001,079.97 | 173,014.08 | 2,174,094.05 |
| Xinjiang Tianstan Cement Co., Ltd. | 423,190.91 | 1,564,169.26 | 1,987,360.17 | 1,027,408.36 | 234,714.83 | 1,262,123.19 | 442,719.65 | 1,610,316.99 | 2,053,036.64 | 1,055,236.91 | 224,385.17 | 1,309,622.07 |
| Xiamen ISO Standard Sand Co., Ltd. | 6,902.13 | 1,145.68 | 8,047.82 | 778.07 | - | 778.07 | 9,346.09 | 1,244.26 | 10,590.34 | 749.02 | - | 749.02 |
| Sinoma Science & Technology Co., Ltd. | 866,971.55 | 1,181,422.54 | 2,048,394.09 | 906,076.81 | 316,373.98 | 1,224,450.79 | 774,404.05 | 1,095,640.67 | 1,870,044.72 | 990,950.58 | 257,079.67 | 1,248,030.25 |
| Sinoma Advanced Materials Co., Ltd. | 104,078.91 | 90,547.19 | 194,626.10 | 108,678.63 | 22,285.61 | 130,964.24 | 95,079.66 | 90,779.56 | 185,859.21 | 104,823.28 | 20,222.16 | 125,045.43 |
| Sinoma Jinjing Fiber Glass Co., Ltd. | 48,695.79 | 49,463.20 | 98,158.99 | 57,394.91 | 21,200.00 | 78,594.91 | 48,174.11 | 50,536.54 | 98,710.65 | 62,914.02 | 12,000.00 | 74,914.02 |
| Gansu Qianstan Building Materials Holdings Co., Ltd. | 252,847.56 | 860,314.45 | 1,113,162.01 | 323,570.55 | 224,571.88 | 549,142.53 | 239,069.65 | 883,389.03 | 1,122,466.68 | 321,669.73 | 220,325.47 | 541,995.20 |
| Ningxia Building Materials Group Co., Ltd. | 243,434.41 | 540,866.65 | 784,301.07 | 243,846.52 | 101,796.53 | 345,642.86 | 217,142.01 | 559,497.64 | 776,639.65 | 230,491.65 | 102,056.26 | 332,547.92 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Main financial information of important non-wholly-owned subsidiaries (Continued)

| Name of subsidiary | Six months ended 30 June 2016 (RMB10,000) | | | | Six months ended 30 June 2015 (RMB10,000) | | | |
|--|---|------------|----------------------------|-------------------------------------|---|------------|----------------------------|-------------------------------------|
| | Operating revenue | Net profit | Total comprehensive income | Cash flow | Operating revenue | Net profit | Total comprehensive income | Cash flow |
| | | | | generated from operating activities | | | | generated from operating activities |
| Sinoma International Engineering Co., Ltd. | 856,163.89 | 31,274.54 | 34,957.55 | 67,942.72 | 938,539.52 | 27,626.11 | 20,497.35 | -15,059.47 |
| Xinjiang Tianshan Cement Co., Ltd. | 199,308.50 | -13,948.23 | -18,146.78 | 29,882.53 | 210,858.37 | -32,325.54 | -25,605.13 | 13,422.89 |
| Xiamen ISO Standard Sand Co., Ltd. | 3,458.54 | 1,428.43 | 1,428.43 | 1,189.43 | 4,087.69 | 1,607.44 | 1,607.44 | 3,168.03 |
| Sinoma Science & Technology Co., Ltd. | 379,266.80 | 28,046.89 | 27,689.15 | 28,154.31 | 415,601.44 | 36,775.73 | 36,735.54 | 57,771.70 |
| Sinoma Advanced Materials Co., Ltd. | 57,295.05 | 2,952.24 | 2,952.24 | 4,601.05 | 45,519.16 | 67.14 | 67.14 | -2,009.75 |
| Sinoma Jinjing Fiber Glass Co., Ltd. | 8,680.45 | -4,168.83 | -4,168.83 | 1,709.86 | 3,651.62 | -1,337.39 | -1,337.39 | -1,316.79 |
| Gansu Qilianshan Building Materials Holdings Co., Ltd. | 205,207.89 | -5,511.29 | -13,531.88 | 47,679.21 | 205,651.09 | -7,276.38 | 3,907.39 | 21,359.10 |
| Ningxia Building Materials Group Co., Ltd. | 142,505.61 | -2,918.78 | -2,920.74 | 13,954.05 | 132,486.28 | -2,967.63 | -2,987.44 | 11,396.74 |

2. Interest in joint ventures or associates

(1) Important joint ventures or associates

| Name | Main premise | Registration | | Nature of business | Shareholding proportion (%) | | Accounting treatment methods for investment of joint ventures or associates |
|---|--------------|--------------|--------------|---|-----------------------------|----------|---|
| | | place | place | | Direct | Indirect | |
| | | | | | | | |
| Joint venture | | | | | | | |
| Taishan Fiberglass South Africa (PTY) Ltd. | South Africa | South Africa | South Africa | Production and sales of fiberglass products | 50.00 | - | Equity method |
| Associate | | | | | | | |
| Wuxi Hengjiu Concrete Pile Manufacturing Co., Ltd. | Wuxi | Wuxi | Wuxi | Production and sales | 25.00 | - | Equity method |
| Hanzhong Hanjiang Concrete Co., Ltd. | Hanzhong | Hanzhong | Hanzhong | Industry | 26.67 | - | Equity method |
| Jiangsu Zhongkai New Material Co., Ltd. | Suzhou | Suzhou | Suzhou | Production | 39.00 | - | Equity method |
| Nanjing Chunhui Science and Technology Industrial Co., Ltd. | Nanjing | Nanjing | Nanjing | Production | 20.59 | - | Equity method |
| Hangzhou Qiangshi Engineering Materials Co., Ltd. | Hangzhou | Hangzhou | Hangzhou | Production | 30.00 | - | Equity method |
| Sinoma Group Finance Co., Ltd. | Beijing | Beijing | Beijing | Finance | 30.00 | - | Equity method |
| Gezhouba Sinoma Jiexin (Wuhan) Science & Technology Co., Ltd. | Wuhan | Wuhan | Wuhan | Environmental protection industry | 30.00 | - | Equity method |

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For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

2. Interest in joint ventures or associates (Continued)

(2) Main financial information of significant joint ventures

| Item | As at 30 June 2016/ Six months ended 30 June 2016 Taishan Fiberglass South Africa (PTY) Ltd. | As at 31 December 2015/ Six months ended 30 June 2015 Taishan Fiberglass South Africa (PTY) Ltd. |
|--|--|--|
| Current assets: | 14,089,560.71 | 9,789,038.65 |
| Including: cash and cash equivalents | 507,831.74 | 132,230.95 |
| Non-current assets | 6,313,825.47 | 13,826,129.78 |
| Total assets | 20,403,386.18 | 23,615,168.43 |
| Current liabilities | 13,590,862.95 | 10,922,246.20 |
| Non-Current liabilities | 480,781.51 | 467,570.74 |
| Total liabilities | 14,071,644.46 | 11,389,816.94 |
| Minority interest | - | - |
| Equity attributable to shareholders of the parent company | 6,331,741.72 | 12,225,351.49 |
| Shares of net assets calculated as per the shareholding proportion | 3,165,870.86 | 6,112,675.75 |
| Adjustments | | |
| – Goodwill | - | - |
| – Unrealized profit of internal transaction | - | - |
| – Others | - | - |
| Book value of the equity investment in associates | 3,165,870.86 | 6,112,675.74 |
| Fair value of equity investment in associates with public offer | - | - |
| Operating revenue | 8,849,704.78 | 9,270,142.89 |
| Financial expenses | -131,495.24 | 489,756.57 |
| Income tax expenses | - | - |
| Net profit | 1,479,550.40 | 76,951.24 |
| Net profit of terminated operation | - | - |
| Other comprehensive incomes | -7,373,160.17 | 89,321.93 |
| Total comprehensive income | -5,893,609.77 | 166,273.17 |
| Dividends received from associates in current period | - | - |

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For the six months ended 30 June 2016

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

VII. INTERESTS IN OTHER ENTITIES (Continued)

2. Interest in joint ventures or associates (Continued)

(3) Main financial information of significant joint ventures

| Item | As at 30 June 2016/Six months ended 30 June 2016 | | As at 31 December 2015/Six months ended 30 June 2015 | |
|--|--|-----------------------------------|--|-----------------------------------|
| | Nanjing Chunhui Science and Technology Industrial Co., Ltd. | Sinoma Group Finance Co., Ltd. | Nanjing Chunhui Science and Technology Industrial Co., Ltd. | Sinoma Group Finance Co., Ltd. |
| Current assets: | 67,981,231.06 | 4,596,139,855.95 | 68,058,552.20 | 3,502,454,651.94 |
| Including: cash and cash equivalents | 8,813,833.76 | 4,266,294,061.38 | 12,336,547.20 | 3,327,648,390.86 |
| Non-current assets | 23,917,259.16 | 865,360,198.77 | 23,433,331.94 | 1,445,306,723.32 |
| Total assets | 91,898,490.22 | 5,461,500,054.72 | 91,491,884.14 | 4,947,761,375.26 |
| Current liabilities: | 4,133,938.40 | 4,864,319,431.63 | 3,971,742.47 | 4,374,611,507.15 |
| Non-Current liabilities | 1,501,494.61 | | 2,155,275.15 | |
| Total liabilities | 5,635,433.01 | 4,864,319,431.63 | 6,127,017.62 | 4,374,611,507.15 |
| Minority interest | 74,207.17 | - | 74,213.16 | - |
| Equity attributable to shareholders of the parent company | 86,188,850.04 | 597,180,623.09 | 85,290,653.36 | 573,149,868.11 |
| Shares of net assets calculated as per the shareholding proportion | 17,746,284.22 | 179,154,186.93 | 17,561,345.53 | 171,944,960.43 |
| Adjustments | | | | |
| - Goodwill | - | - | - | - |
| - Unrealized profit of internal transaction | - | - | - | - |
| - Others | - | - | - | - |
| Book value of equity investments in joint ventures | 19,268,726.36 | 178,775,567.39 | 19,224,244.70 | 172,034,225.97 |
| Fair value of equity investment in joint ventures with public offer | - | - | - | - |
| Operating revenue | 22,714,082.11 | 54,773,720.80 | 21,058,841.53 | 57,292,580.07 |
| Financial expenses | -509,553.55 | | -32,165.39 | |
| Income tax expenses | 138,084.29 | 8,921,965.16 | 142,876.91 | 7,826,037.80 |
| Net profit | 782,002.35 | 27,671,138.08 | 803,515.65 | 23,478,113.39 |
| Net profit of terminated operation | - | - | - | - |
| Other comprehensive incomes | - | - | - | - |
| Total comprehensive income | 782,002.35 | 27,671,138.08 | 803,515.65 | 23,478,113.39 |
| Dividends received from joint ventures | - | 1,560,000.00 | - | 2,550,000.00 |

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For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

2. Interest in joint ventures or associates (Continued)

(4) Summary of financial information of insignificant joint ventures

| Item | As at 30 June 2016/ Six months ended 30 June 2016 | As at 31 December 2015/ Six months ended 30 June 2015 |
|--|--|--|
| Joint venture: | | |
| Total book value of investment | 26,518,286.50 | 21,640,566.27 |
| Total amount of following items according to shareholding proportion | | |
| – Net profit | 829,548.36 | -107,132.02 |
| – Other comprehensive income | – | – |
| – Total comprehensive income | 829,548.36 | -107,132.02 |

(5) Significant restrictions on the capability of transferring capital from joint ventures or associates to the Company

None.

(6) Excess loss of associates or joint ventures

None.

(7) Unconfirmed commitment related to investment of associates

None.

(8) Contingent liabilities related to investment of associates or joint ventures

None.

3. Significant joint operation

None.

4. Structural body not involved in the combined financial statement

None.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

VIII. DISCLOSURE OF FAIR VALUE

1. Measurement level of amount and fair value of assets and liabilities measured at fair value at the end of the period

| Item | Fair Value as at 30 June 2016 | | | Total |
|--|--------------------------------|--------------------------------|--------------------------------|------------------|
| | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| Continuous fair value measurement | | | | |
| (I) Financial assets at fair value through profit or loss | - | 6,977,161.93 | - | 6,977,161.93 |
| 1. Trading financial assets | - | 6,977,161.93 | - | 6,977,161.93 |
| (1) Forward foreign exchange contract | - | 1,105,000.00 | - | 1,105,000.00 |
| (2) Open-end monetary funds | - | 5,872,161.93 | - | 5,872,161.93 |
| (II) Available-for-sale financial assets | 2,343,216,436.32 | - | - | 2,343,216,436.32 |
| (1) Equity instrument investment | 2,343,216,436.32 | - | - | 2,343,216,436.32 |
| Total amount of assets continuously measured at fair value | 2,343,216,436.32 | 6,977,161.93 | - | 2,350,193,598.25 |
| (I) Financial liabilities at fair value through profit or loss | - | 17,241,108.91 | - | 17,241,108.91 |
| 1. Trading financial liabilities | - | 17,241,108.91 | - | 17,241,108.91 |
| (1) Forward foreign exchange contract | - | 17,241,108.91 | - | 17,241,108.91 |
| Total amount of liabilities continuously measured at fair value | - | 17,241,108.91 | - | 17,241,108.91 |

2. Basis for determination of market prices of items subject to continuous level 1 fair value measurement

“Available-for-sale financial assets – equity instrument investment” refers to A-shares and funds issued in Shanghai Stock Exchange and Shenzhen Stock Exchange. The market price shall be determined based on the closing price on the last trading day at the end of the period.

3. Valuation techniques and quantitative and qualitative information about key parameters of items subject to continuous level 2 fair value measurement

The basis for determining the market price of “Trading financial assets – funds” is the price published by the fund company on the last trading day at the end of the period. The evaluation technique of trading financial liabilities in the form of forward foreign exchange contract is discount cash flow, i.e. the future cash flow is calculated as per the observable forward exchange rate at the end of the period and the forward exchange rate of the contract and can reflect credit risks of enterprises in the same industry.

Notes to Unaudited Financial Statements

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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Relationship of related parties

1. Controlling shareholder

(1) Controlling shareholder

| Name of controlling shareholder | Registration place | Nature of business | Registered capital (RMB10,000) | Proportion of shareholding in the company (%) | Proportion of voting right in the company (%) |
|---|---------------------------|-----------------------|--------------------------------|---|---|
| China National Materials Group Corporation Ltd. | Xicheng District, Beijing | Investment management | 188,747.90 | 41.84 | 41.84 |

(2) Registered capital of the controlling shareholder and changes

| Controlling shareholder | As at 31 December 2015 (RMB10,000) | Increase in current period | Decrease in current period | As at 30 June 2016 (RMB10,000) |
|---|------------------------------------|----------------------------|----------------------------|--------------------------------|
| China National Materials Group Corporation Ltd. | 188,747.90 | – | – | 188,747.90 |

(3) Shares or equity held by the controlling shareholder and changes

| Controlling shareholder | Amount of shareholding | | Proportion of shareholding (%) | |
|---|------------------------|------------------------|--------------------------------|------------------------|
| | As at 30 June 2016 | As at 31 December 2015 | As at 30 June 2016 | As at 31 December 2015 |
| China National Materials Group Corporation Ltd. | 1,494,416,985.00 | 1,494,416,985.00 | 41.84 | 41.84 |

2. Subsidiaries

For details of subsidiaries, please refer to “VII. 1. (1) Composition of the Group” in the Notes.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

3. Joint ventures and associates

For details of significant joint ventures and associates of the Company, please refer to contents of “VII. 2 (1) Significant associates and joint ventures” in the Notes. The joint ventures or associates involved in related party transactions with the Company in current period or in previous period with balance created are as follows:

| Name | Relationship |
|---|--------------|
| Wuxi Hengjiu Concrete Pile Manufacturing Co., Ltd. | Associate |
| Hanzhong Hanjiang Concrete Co., Ltd. | Associate |
| Hangzhou Qiangshi Engineering Materials Co., Ltd. | Associate |
| Jiangsu Zhongkai New Material Co., Ltd. | Associate |
| Gezhouba Sinoma Jiexin (Wuhan) Science & Technology Co., Ltd. | Associate |

4. Other related parties

| Name | Relationship |
|---|---|
| Beijing Glass Fiber Research & Design Institute Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Changde Sinoma-EC Cogeneration Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Jilin Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| Gansu Construction Investment Building Material CO., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Tianshui Institute of Geological Engineering Survey | Other enterprise controlled by the same controlling shareholder |
| Guizhou Tianxing Standard Sand Supply Station | Other enterprise controlled by the same controlling shareholder |
| Hunan Huadi Mining Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Hunan Zhongfei Foundation Engineering Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Jiancai Tianshui Institute of Geological Engineering Survey | Other enterprise controlled by the same controlling shareholder |
| Jiancai Urumqi Institute of Geological Engineering Survey | Other enterprise controlled by the same controlling shareholder |

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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

| Name | Relationship |
|--|---|
| Nantong Wanda Boiler Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Ningxia Building Materials Yinchuan Institute of Geological Engineering Survey | Other enterprise controlled by the same controlling shareholder |
| Qinghai Kunlunshan Mining Development Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Shenzhen Nanhua Geotechnical Engineering Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Suzhou Kaipu Geotechnical Engineering Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Tianshui Sanhe Digital Surveying and Mapping Institute | Other enterprise controlled by the same controlling shareholder |
| Toksun Tianshan Building Material and Mining Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Wuhai Sinoma-EC Cogeneration Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Wuhan Building Material Industry Design & Research Institute Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xian Building Material and Geological Engineering Survey Institute | Other enterprise controlled by the same controlling shareholder |
| Xianyang Design & Research Institute of Non-metallic Minerals | Other enterprise controlled by the same controlling shareholder |
| Xiangtan Sinoma-EC Cogeneration Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Guo Tong Pipeline Co., Ltd | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Jianhua Industrial Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Jinjian Building Material Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Tianshan Dipai Ceramics Co., Ltd. | Other enterprise controlled by the same controlling shareholder |

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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

| Name | Relationship |
|---|---|
| Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Tianshan Building Materials (Group) Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Baiyanghe Gypsum Mine of Xinjiang Tianshan Building Materials (Group) Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Tianshan Building Materials & Machinery Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Tianshan Building Materials Group Refractory Material Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Tianshan Building Materials Group Casting Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Tianshan Building Materials Technical Equipment Engineering Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Xinjiang Tianshan Building Materials Industrial Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Yangzhou Zhongke Semiconductor Lighting Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Yili Guotong Pipework Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Yinchuan Anpu Security Technology Consulting Center | Other enterprise controlled by the same controlling shareholder |
| Yunan Sinoma-EC Cogeneration Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Yunfu Sinoma-EC Cogeneration Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Sinoma Geological Engineering Exploration Institute Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Sinoma Trading Corporation Ltd. | Other enterprise controlled by the same controlling shareholder |
| Sinoma Hongbo Co., Ltd. | Other enterprise controlled by the same controlling shareholder |

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For the six months ended 30 June 2016
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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

| Name | Relationship |
|--|---|
| Sinoma Science and Development Center Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Sinoma-EC (Wuhan) Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Sinoma Energy Conservation Ltd. | Other enterprise controlled by the same controlling shareholder |
| Sinoma Synthetic Crystals Research Institute Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| China Kaolin Clay Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Machinery Works of Sichuan Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation | Other enterprise controlled by the same controlling shareholder |
| China National Building Material Equipment Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| China Jianhua Industrial Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Gansu Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| Guangdong Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| Hunan Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| Jiangsu Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| Ningxia Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| Sichuan Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |

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For the six months ended 30 June 2016

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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

| Name | Relationship |
|--|---|
| Xinjiang Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| Hebei Team of Geological Survey Center of China Building Materials Industry | Other enterprise controlled by the same controlling shareholder |
| China Building Materials Industrial Construction Tangshan Installation Engineering Corporation | Other enterprise controlled by the same controlling shareholder |
| China Tianshan Building Materials Group Casting Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| China National Materials Industry Import & Export Corporation | Other enterprise controlled by the same controlling shareholder |
| Zhuzhou Sinoma-EC Cogeneration Co., Ltd. | Other enterprise controlled by the same controlling shareholder |
| Nanjing Meihong Abrasives Co., Ltd. | Other related party |
| Nanjing Shuangwei Biotechnology Co., Ltd. | Other related party |
| Hejing Xiqing Jiyuan Construction Co., Ltd. | Other related party |
| Chengdu Emico Electromechanical Co., Ltd. | Other related party |
| Jiangxi Saiwei LDK Solar Energy High-tech Ltd. | Other related party |
| Jaingxi Yiyuan Insulator Co., Ltd. | Other related party |
| Lianyungang Taosheng Fused Quartz Co., Ltd. | Other related party |
| Wenzhou Kuncai Pearlescent Pigment Co., Ltd. | Other related party |
| Xinjiang Huatai Heavy Chemical Co., Ltd. | Other related party |
| Nanjing Tongtian Science & Technology Industrial Co., Ltd. | Other related party |
| Nanjing Tongtian Rockwool Co., Ltd. | Other related party |
| Qingdao Expro Trading Co., Ltd. | Other related party |
| Wenxian Yufeng Cement Co., Ltd. | Other related party |
| Urumqi Wujietong Trading Co., Ltd. | Other related party |
| China Building Materials Academy | Other related party |
| West Construction Co., Ltd. | Other related party |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transaction

1. Related party transactions of purchasing or selling goods and rendering or receiving services

(1) Purchasing goods/receiving services

| Related party | Content of related party transaction | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|--|--|-------------------------------|-------------------------------|
| I. Other enterprise controlled by the same controlling shareholder | Procurement of goods Receiving services | 171,293,546.33 | 203,390,201.17 |
| II. Other related parties | Procurement of goods Receiving services | 1,769,466.52 | - |
| Total | | 173,063,072.85 | 203,390,201.17 |

(2) Selling goods/rendering services

| Related party | Content of related party transaction | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---|---|-------------------------------|-------------------------------|
| I. Associates and joint ventures | Selling commodity Provision of service | 136,444.87 | 100,100.00 |
| II. Other enterprise controlled by the same controlling shareholder | Selling commodity Provision of service | 5,402,719.65 | 11,998,639.00 |
| III. Other related parties | Selling commodity Provision of service | 69,835,406.12 | 37,822,729.30 |
| Total | | 75,374,570.64 | 49,921,468.30 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transaction (Continued)

2. Related party entrusted management

None.

3. Related party guarantees

| Guarantor | Guarantee | Amount (RMB10,000) | From | To | Guarantee has been performed or not |
|---|--|-----------------------|------------|------------|--|
| China National Materials Group Corporation Ltd. | China National Materials Company Limited | 250,000.00 | 2009.07.29 | 2016.07.29 | No |

4. Capital lending between related parties

| Item | As at 30 June 2016 | From | To | Interest rate |
|---|-----------------------|------------|------------|---------------|
| Deposit in Sinoma Group Finance Co., Ltd. | 3,721,815,230.83 | – | – | – |
| Borrowing from Sinoma Group Finance Co., Ltd. | 50,000,000.00 | 2015.07.01 | 2016.07.01 | 4.85% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 100,000,000.00 | 2015.08.25 | 2016.08.25 | 4.85% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 50,000,000.00 | 2015.10.08 | 2016.10.08 | 4.60% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 150,000,000.00 | 2015.10.12 | 2016.10.12 | 4.60% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 50,000,000.00 | 2015.11.19 | 2016.11.19 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 360,000,000.00 | 2015.12.28 | 2016.12.28 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 100,000,000.00 | 2015.12.29 | 2016.12.29 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 50,000,000.00 | 2015.12.30 | 2016.12.30 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 100,000,000.00 | 2015.12.31 | 2016.12.31 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 100,000,000.00 | 2016.03.24 | 2017.03.24 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 100,000,000.00 | 2016.04.06 | 2017.04.06 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 10,000,000.00 | 2016.06.30 | 2017.06.30 | 4.35% |
| Borrowing from Sinoma Group Finance Co., Ltd. | 50,000,000.00 | 2016.06.30 | 2017.06.30 | 4.35% |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
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IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance of related party intercourse funds

1. Receivables

| Item | Related party | As at 30 June 2016 | | As at 31 December 2015 | |
|---------------------|---|--------------------|--------------------|------------------------|--------------------|
| | | Book balance | Bad debt provision | Book balance | Bad debt provision |
| | I. Parent company | | | | |
| Other receivables | | - | - | 706,210.27 | 35,310.51 |
| | II. Associates and joint ventures | | | | |
| Accounts receivable | | 10,347,998.95 | 517,399.95 | 5,258,803.24 | 262,940.17 |
| Other receivables | | 750,151.51 | 37,507.58 | 723,643.82 | 36,182.19 |
| | III. Other enterprise controlled by the same controlling shareholder | | | | |
| Accounts receivable | | 59,483,372.86 | 3,002,468.64 | 40,143,226.27 | 2,035,461.32 |
| Other receivables | | 77,831.80 | 3,891.59 | 29,433,098.35 | 1,497,011.42 |
| Prepayment | | 35,033,547.39 | - | 87,450,841.87 | - |
| Bills receivable | | - | - | 550,000.00 | - |
| | IV. Other related parties | | | | |
| Accounts receivable | | 43,600,705.16 | 2,180,035.26 | 36,438,600.53 | 1,880,549.02 |
| Other receivables | | 1,633,254.52 | 81,662.72 | 2,168,065.26 | 108,403.26 |

2. Payables

| Item | Related party | As at | As at |
|------------------------------|---|----------------|------------------|
| | | 30 June 2016 | 31 December 2015 |
| | I. Parent company | | |
| Other Payables | | 250,000,000.00 | 250,000,000.00 |
| | II. Associates and joint ventures | | |
| Accounts Received in Advance | | - | 12,900.00 |
| Other Payables | | 379,144.00 | 379,144.00 |
| | III. Other enterprise controlled by the same controlling shareholder | | |
| Accounts payable | | 188,850,448.18 | 181,614,676.25 |
| Accounts received in advance | | 241,547.11 | 1,162,108.00 |
| Other Payables | | 1,255,025.11 | 101,621,556.04 |
| Bills payable | | 686,100.00 | 500,000.00 |
| | IV. Other related parties | | |
| Accounts payable | | 16,391,324.25 | 24,405,371.60 |
| Accounts received in advance | | 61,928.20 | - |
| Other Payables | | 2,105,760.44 | 2,786,487.37 |
| Dividends Payable | | 250,311.94 | - |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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X. CONTINGENCIES

(I) Contingent liabilities arising from pending actions or arbitrations

1. On 23 April 2012, Sinoma Technology & Equipment Group Co., Ltd. (hereinafter referred to as “Sinoma-Tec Group”), a third-level company of the Group, signed the project cooperation agreement and the equipment procurement contract with Lvliang Lvyuan Building Material Co., Ltd. (hereinafter referred to as “Lvliang Lvyuan”). On 17 May 2012 and 16 September 2013, they signed supplementary agreements on cooperation of the project. On 26 November 2014, Lvliang Lvyuan filed a lawsuit in Lvliang Intermediate People’s Court against Sinoma-Tec Group for inappropriate performance of the contract of the latter and asked for termination of the contract and economic loss indemnity of RMB20 million from Sinoma-Tec Group. By June 2016, this case has entered the judicial identification procedure after the rule on jurisdiction objection.
2. On 15 March 2013, CBMI Construction Co., Ltd. (hereinafter referred to as “CBMI Construction”), a third-level company of the Group, signed an EPC contract with Hulun Buir Shengwei Technology Industrial Co., Ltd. (hereinafter referred to as “Shengwei Technology”) and Yimin Zhongding Technology Energy Conservation Co., Ltd. (hereinafter referred to as “Yimin Zhongding”). On 15 September 2015, CBMI Construction filed a lawsuit in the Intermediate People’s Court of Hunlun Buir against the two defendants for their rejection to settle and pay the project fund and asked Shengwei Technology and Yimin Zhongding to pay RMB102,414,900 to it. On 17 October 2014, the court prepared the Notice of Acceptance (2014 HMCZ No. 160) and formally accepted this case. After acceptance of the case, Shengwei Technology raised a jurisdiction objection. After the first and second rules on jurisdiction objection, it was finally determined that the Intermediate People’s Court of Hunlun Buir would hear this case. In July 2015, Shengwei Technology filed a counterclaim in which CBMI Construction was required to pay RMB828,000 of liquidated damages and RMB50 million of indemnity to it. The court has decided an amalgamated hearing of this case and the counterclaim. This case is currently under the juridical identification procedure.

(II) Other contingent liabilities

As of 30 June 2016, the Group has had approximately RMB8,935 million of balance of guarantees still valid at the end of the Reporting Period.

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
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XI. COMMITMENTS

1. Significant commitments

- (1) Investment contract signed but not performed or not fully performed yet and relevant financial expenditures

By 30 June 2016, the Group had RMB 632,383,800 of agreed significant investment expenditures with relevant contract signed but without payment. See the contents below for details:

Unit: RMB10,000

| Investment project | Amount of contractual investment | Paid investment amount | Unpaid investment amount | Expected investment period |
|--|----------------------------------|------------------------|--------------------------|----------------------------|
| 200,000,000 m ² /a Lithium Membrane Production Line Project | 37,760.38 | – | 37,760.38 | March 2016 – March 2018 |
| FO3 Project | 65,321.00 | 49,960.00 | 15,361.00 | September 2015 – June 2016 |
| FO4 Project | 51,398.00 | 41,691.00 | 9,707.00 | September 2015 – June 2017 |
| Others | 8,006.00 | 7,596.00 | 410.00 | December 2014 – March 2017 |
| Total | 162,485.38 | 99,247.00 | 63,238.38 | |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

XI. COMMITMENTS (Continued)

1. Significant commitments (Continued)

(2) Signed significant contracts being performed or ready for performance (Continued)

By 30 June 2016, the Group had RMB169,730,900 of agreed significant contracts which have been signed but unpaid. See the contents below for details:

Unit: RMB10,000

| Project name | Contract amount | Paid amount | Unpaid amount | Expected investment period |
|--|------------------|------------------|------------------|----------------------------|
| Qarain Company Project – 4500T/D Clinker Cement Production Line, Industrial Tailing Treatment and Auxiliary 9MW Low-Temperature Cogeneration | 58,900.00 | 55,936.84 | 2,963.16 | 2016 |
| Ningxia Building Materials Mansion of the Headquarters | 12,458.82 | 11,385.16 | 1,073.66 | 2016 |
| Ningxia Saima – Ningdong Flyash Fine and Deep Processing Project | 3,279.40 | 3,174.88 | 104.52 | 2016 |
| Sinoma Gansu – Auxiliary Cogeneration Project of 4500T Cement Production Line | 5,500.00 | 5,292.42 | 207.58 | 2016 |
| Wuhai Xishui – Energy Conservation Technical Improvement Project of Cement Milling System | 8,000.00 | 298.37 | 7,701.63 | 2017 |
| 2×500,000 m ³ /a Commercial Concrete Mixing Plant Phase I of Qingtongxia Concrete | 4,200.20 | 1,226.98 | 2,973.22 | 2017 |
| Taiyangshan 1,200,000 t/a Aggregate Production Line Project of Qingtongxia Cement | 4,684.00 | 2,734.69 | 1,949.32 | 2017 |
| Total | <u>97,022.42</u> | <u>80,049.34</u> | <u>16,973.09</u> | |

- (3) There is no other significant commitment for the Group to disclose as of 30 June 2016, except for the commitments above.

XII. EVENTS AFTER BALANCE SHEET DATE

Until the date of approval on the financial statements, there are no events after the balance sheet date for the Group to disclose.

Notes to Unaudited Financial Statements

*For the six months ended 30 June 2016
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XIII. OTHER SIGNIFICANT MATTERS

1. Correction and effect of prior period errors

None.

2. Influence of political unrest of Middle East on project implementation

By 30 June 2016, CBMI Construction (a third-level company) has been implemented an EPC project in Syria. The EPC contract of the project was signed on 8 August 2008, with a total contract price of EUR 47.31 million and USD239.39 million. The PAC certificate signed by the owner was obtained in June 2011. Costs of the project incurred to CBMI Construction have been settled. Under influence of the local situation, all of the Chinese employees have left Syria and later services have been suspended. The local security department is responsible for security of the project. Later progress of the project will be determined upon situation of Syria.

3. Tax disputing matters

In 2011, the local tax authority of Saudi Arabia carried out regular tax assessment on Sinoma Saudi Arabia Branch, a second-level company of the Group, in terms of the tax payment of Saudi Arabia Branch in the period 2006~2008. On 20 November 2014, Saudi Arabia Branch received an assessment report from Saudi Arabia Tax Authority. According to the report, Saudi Arabia Branch should pay the short-paid taxes and fine for delaying payment (SAR 33.04 million of short-paid taxes and fine of 1% on the short-paid taxes for every 30 days) or can make an appeal within a specified time limit. Saudi Arabia Branch made an appeal to the Preliminary Tax Appeal Committee (PTAC). In May 2016, it received the notice of appeal result. PTAC has not conducted substantive review of the content of appeal and rejected the appeal of Saudi Arabia Branch. Saudi Arabia Branch, therefore, decided to make an appeal to the High Tax Appeal Committee. To meet the appeal conditions, during the Reporting Period, Saudi Arabia Branch has provided a bank guarantee amounting SAR 68.48 million and submitted a formal appeal report.

4. Segment information

(1) Determination basis and accounting policy of reportable segments

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

- 1) The component can generate incomes and incur expenses in daily activities;
- 2) The management can regularly evaluate the operating results of the component to determine its resource allocation and evaluate its performance;
- 3) Accounting information about the component such as financial situation, operating results and cash flow can be obtained.

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For the six months ended 30 June 2016

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

4. Segment information (Continued)

(1) Determination basis and accounting policy of reportable segments (Continued)

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

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

(2) Financial information about reportable segments in current period

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

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
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XIII. OTHER SIGNIFICANT MATTERS (Continued)

5. Accounting standard conversion

Whereas the Group has prepared its financial reports before 2015 (inclusive) in accordance with the Accounting Standards for Business Enterprises of the PRC and the Hong Kong Financial Reporting Standards, and whereas equivalence between domestic and foreign standards has been realized, as approved by the Board of Directors of the Group, the Group will prepare consolidated and parent company's financial statements in accordance with Accounting Standards for Business Enterprises of the PRC since January 1, 2016. Before the issuance of the Accounting Standards for Business Enterprises of the PRC by the Ministry of Finance on February 15, 2006, there was certain difference between domestic and foreign standards. Over a period of time, such difference had influence on the financial situation and operating results of the Group and the influence would be reduced gradually until write-off. The influence of such difference on net assets of the Group has been as follows:

On December 31, 2015, the adjustment of the difference of net assets arising from conversion of financial statements prepared as per the Accounting Standards for Business Enterprises of the PRC into those as per Hong Kong Financial Reporting Standards:

| | <i>Unit: RMB10,000</i> |
|---|------------------------|
| | Net assets |
| As per the Accounting Standards for Business Enterprises of the PRC | 3,335,716 |
| 1. Government subsidies (Note 1) | (1,567) |
| 2. Debt restructuring (Note 2) | 2,288 |
| 3. Acquisition assessment appreciation (Note 3) | 32,881 |
| 4. Goodwill of Qilianshan Holdings (Note 4) | (1,144) |
| 5. Others | (3,946) |
| Subtotal | 28,512 |
| As per Hong Kong Financial Reporting Standards | 3,364,228 |

Note 1: Reason for difference of government subsidy: According to Hong Kong Financial Reporting Standards, government subsidies used for acquisition of land or other fixed assets and construction of production line or land given by the government for free shall be recognized as deferred income and shall be amortized as per service life of relevant land or equipment. In reports prepared as per the Accounting Standards for Business Enterprises of the PRC, relevant government subsidies shall be included in capital reserves pursuant to the prevail accounting standards at that time.

Notes to Unaudited Financial Statements

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

5. Accounting standard conversion (Continued)

- Note 2: Reason for difference of debt restructuring: In reports prepared as per Hong Kong Financial Reporting Standards, recognition conditions of debt restructuring gains are deemed to be satisfied when the debt restructuring contract comes into effect and debt restructuring gains shall be recognized; while in those prepared as per the Accounting Standards for Business Enterprises of the PRC, the conditions are deemed not to be satisfied and the gains are not recognized immediately. The difference of debt restructuring gains and annual interest expenditures and deferred tax adjustment is thus formed.
- Note 3: Reason for difference of acquisition assessment appreciation: If the Group acquire an enterprise from a third party, the assessed value shall be used for accounting treatment in reports prepared as per Hong Kong Financial Reporting Standards; while in those prepared as per the Accounting Standards for Business Enterprises of the PRC, the equity investment balance (appreciated portion) shall be used to write down capital reserves pursuant to the prevail accounting standards at that time.
- Note 4: Reason for difference of goodwill of Qilianshan Holdings: In reports prepared as per Hong Kong Financial Reporting Standards, some enterprises of Qilianshan Holdings were subject to adjustment yearly based on assessment of actuary as per Hong Kong Accounting Standard 19. In a result, a difference of the net asset value of Qilianshan Holdings appeared under Hong Kong Financial Reporting Standards and the Accounting Standards for Business Enterprises of the PRC. In 2010, the said difference was reflected in goodwill upon acquisition of Qilianshan Holdings and was subsequently in the impairment provision.

Notes to Unaudited Financial Statements

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XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

(1) Classification

| Category | As at 30 June 2016 | | | | | As at 31 December 2015 | | | | |
|--|-------------------------|----------------|--------------------|----------------|-------------------------|-------------------------|----------------|--------------------|----------------|-------------------------|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
| | | | | | Provision | | | | | Provision |
| Other receivables that are individually significant provided for bad debts on individual basis | 1,629,260,000.00 | 99.63 | - | - | 1,629,260,000.00 | 1,756,910,000.00 | 99.96 | - | - | 1,756,910,000.00 |
| Other receivable with bad debt provision drawn by portfolio of credit risk features | - | - | - | - | - | - | - | - | - | - |
| Other receivables that are individual insignificant provided for bad debts on individual basis | 6,119,347.59 | 0.37 | - | - | 6,119,347.59 | 659,147.05 | 0.04 | - | - | 659,147.05 |
| Total | 1,635,379,347.59 | 100.00 | - | - | 1,635,379,347.59 | 1,757,569,147.05 | 100.00 | - | - | 1,757,569,147.05 |

1) Other receivables that are individually significant provided for bad debts on individual basis

| Name | As at 30 June 2016 | | | |
|--|-------------------------|--------------------|--------------------------|--------------------------------|
| | Other receivables | Bad debt provision | Provision proportion (%) | Reason for provision |
| Sinoma International Engineering Co., Ltd. | 48,000,000.00 | - | - | No provision for related party |
| Sinoma Jinjing Fiber Glass Co., Ltd. | 40,000,000.00 | - | - | No provision for related party |
| Sinoma Zhuzhou Cement Co., Ltd. | 30,000,000.00 | - | - | No provision for related party |
| Sinoma Hengda Cement Co., Ltd. | 200,000,000.00 | - | - | No provision for related party |
| Sinoma Mining Construction Co., Ltd. | 541,260,000.00 | - | - | No provision for related party |
| Xiangtan Sinoma Cement Co., Ltd. | 80,000,000.00 | - | - | No provision for related party |
| Jiangsu Tianshan Cement Group Co., Ltd. | 200,000,000.00 | - | - | No provision for related party |
| Xinjiang Tianshan Cement Co., Ltd. | 200,000,000.00 | - | - | No provision for related party |
| Aksu Tianshan Duolang Cement Co., Ltd. | 200,000,000.00 | - | - | No provision for related party |
| Sinoma Anhui Cement Co., Ltd. | 90,000,000.00 | - | - | No provision for related party |
| Total | 1,629,260,000.00 | - | - | |

Notes to Unaudited Financial Statements

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XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Other receivables (Continued)

(2) Classification of other receivables by nature

| Nature | As at | As at |
|-------------------|------------------|------------------|
| | 30 June 2016 | 31 December 2015 |
| Intercourse funds | 511,260,000.00 | 700,000,000.00 |
| Loan | 1,118,000,000.00 | 1,056,910,000.00 |
| Others | 6,119,347.59 | 659,147.05 |
| Total | 1,635,379,347.59 | 1,757,569,147.05 |

(3) Top five of other receivables

| Name | Nature | As at 30 June 2016 | Account age | Proportion of total other receivables | |
|---|---------------------------|--------------------|---------------|---------------------------------------|---------------------------------------|
| | | | | as at 30 June 2016 | Bad debt provision as at 30 June 2016 |
| | | | | (%) | |
| Sinoma Mining Construction Co., Ltd. | Intercourse fund and Loan | 541,260,000.00 | Within 1 year | 33.10 | - |
| Jiangsu Tianshan Cement Group Co., Ltd. | Loan | 200,000,000.00 | Within 1 year | 12.23 | - |
| Xinjiang Tianshan Cement Co., Ltd. | Loan | 200,000,000.00 | Within 1 year | 12.23 | - |
| Aksu Tianshan Duolang Cement Co., Ltd. | Loan | 200,000,000.00 | Within 1 year | 12.23 | - |
| Sinoma Hengda Cement Co., Ltd. | Loan | 200,000,000.00 | Within 1 year | 12.23 | - |
| Total | | 1,341,260,000.00 | | 82.02 | - |

2. Long-term equity investments

(1) Classification

| Item | As at 30 June 2016 | | | As at 31 December 2015 | | |
|---|--------------------|----------------------|-------------------|------------------------|----------------------|-------------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Investment in subsidiaries | 14,905,659,030.01 | 32,298,785.12 | 14,873,360,244.89 | 14,032,111,490.19 | 32,298,785.12 | 13,999,812,705.07 |
| Investment in joint ventures and associates | 1,142,495,767.65 | 70,614,652.48 | 1,071,881,115.17 | 1,138,919,089.33 | 70,614,652.48 | 1,068,304,436.85 |
| Total | 16,048,154,797.66 | 102,913,437.60 | 15,945,241,360.06 | 15,171,030,579.52 | 102,913,437.60 | 15,068,117,141.92 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Long-term equity investments (Continued)

(2) Investment in subsidiaries

| Investee entities | As at 31 December 2015 | Increase in current period | Decrease in current period | As at 30 June 2016 | Provision for impairment in current period | Provision for impairment as at 30 June 2016 |
|---|---------------------------|-------------------------------|-------------------------------|--------------------|--|---|
| Taishan Fiberglass Inc. | 3,073,860,860.18 | - | 3,073,860,860.18 | - | - | - |
| Ningxia Building Materials Group Co., Ltd. | 2,300,344,082.72 | - | - | 2,300,344,082.72 | - | - |
| Sinoma Cement Co., Ltd. | 1,838,436,100.00 | - | - | 1,838,436,100.00 | - | - |
| Sinoma International Engineering Co., Ltd. | 1,492,464,004.85 | 7,250,000.00 | - | 1,499,714,004.85 | - | - |
| Sinoma Advanced Materials Co., Ltd. | 886,493,467.54 | - | - | 886,493,467.54 | - | - |
| Sinoma Science & Technology Co., Ltd. | 1,638,255,608.12 | 3,940,158,400.00 | - | 5,578,414,008.12 | - | - |
| Xinjiang Tianshan Cement Co., Ltd. | 2,002,008,457.52 | - | - | 2,002,008,457.52 | - | - |
| Sinoma Mining Construction Co., Ltd. | 219,735,187.00 | - | - | 219,735,187.00 | - | - |
| Sinoma Jijing Co., Ltd. | 125,617,998.26 | - | - | 125,617,998.26 | - | - |
| Xiamen ISO Standard Sand Co., Ltd. | 122,126,181.00 | - | - | 122,126,181.00 | - | - |
| Gansu Qilianshan Building Materials Holdings Co., Ltd. | 332,769,543.00 | - | - | 332,769,543.00 | - | 32,298,785.12 |
| Total | 14,032,111,490.19 | 3,947,408,400.00 | 3,073,860,860.18 | 14,905,659,030.01 | - | 32,298,785.12 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Long-term equity investments (Continued)

(3) Investment in joint ventures and associates

| Investee entities | As at 31 December 2015 | Additional investment | Changes in current period | | | | Cash dividends or profits declared to pay | Charge of impairment provision | Others | As at 30 June 2016 | Provision for Impairment as at 30 June 2016 |
|--|------------------------------|--------------------------|---|--|-------------------------|----------|---|--------------------------------------|----------|-------------------------|---|
| | | | Investment gain/loss as per equity method | Adjustment of other comprehensive incomes | Other equity changes | | | | | | |
| I. Associate | | | | | | | | | | | |
| Gansu Qilianshan Cement Group Co., Ltd. | 920,065,328.57 | - | - | -7,166,528.49 | - | - | - | - | - | 912,888,800.08 | 70,614,652.48 |
| Beijing Composite Materials Co., Ltd. | 46,829,534.79 | - | - | 4,001,865.39 | - | - | - | - | - | 50,831,400.18 | - |
| Sinoma Group Finance Co., Ltd. | 172,034,225.97 | - | - | 8,301,341.42 | - | - | -1,560,000.00 | - | - | 178,775,567.39 | - |
| Total | 1,138,919,089.33 | - | - | 5,136,678.32 | - | - | -1,560,000.00 | - | - | 1,142,495,767.65 | 70,614,652.48 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Operating revenue and costs

| Item | Six months ended 30 June 2016 | | Six months ended 30 June 2015 | |
|-----------------|----------------------------------|------|----------------------------------|---------------------|
| | Revenue | Cost | Revenue | Cost |
| Main operation | | | | |
| Other operation | <u>37,984,740.33</u> | – | <u>51,823,917.10</u> | <u>2,902,139.33</u> |
| Total | <u>37,984,740.33</u> | – | <u>51,823,917.10</u> | <u>2,902,139.33</u> |

4. Investment incomes

| Item | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|--|---|-------------------------------------|
| | Long-term equity investment under the cost method | 161,737,276.33 |
| Long-term equity investment income under the equity method | 5,136,678.32 | 4,998,730.57 |
| Investment income from holding of available-for-sale financial assets | 6,899,100.02 | 11,498,500.00 |
| Investment income from disposal of available-for-sale financial assets | – | 113,112,457.01 |
| Investment income from disposal of long-term equity investment | <u>776,597,539.82</u> | – |
| Total | <u>950,370,594.49</u> | <u>409,291,866.78</u> |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016

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

XV. APPROVAL OF FINANCIAL REPORT

This financial report was approved for release by the Board of Directors of the Company on 26 August 2016.

Supplementary information of financial statements

1. Breakdown of non-recurring profits and losses in current period

- (1) In accordance with the *Explanatory Announcement of China Securities Regulatory Commission on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit and Loss (2008)*, non-recurring profit and loss of the Group for the six months ended 30 June 2016 is stated as following:

| Item | Six months ended 30 June 2016 |
|---|----------------------------------|
| Profits and losses from disposal of non-current assets | 37,285,242.10 |
| Tax return, reduction and exemption under occasional condition, approval beyond the authority or without official document | – |
| Government grants included in current profits and losses | 131,500,111.39 |
| Capital occupation fee charged from non-financial enterprises and included in current profits and losses | – |
| Profit gained when the cost of investment in subsidiary, associate, joint venture is less than the fair value of the identifiable net assets when regarded as investee | – |
| Loss/profit from non-monetary assets exchange | – |
| Profits and losses from assets commissioned others to invest or manage | – |
| Provisions for impairment of assets drawn due to Force Majeure (e.g. natural disasters) | – |
| Loss/profit from debt restructuring | 968,442.53 |
| Enterprise reconstruction expense | – |
| Loss or profit out of the fair value from transactions with unfair price | – |
| Net profit and loss of the current period from the beginning of the subsidiary from business merger under the same control to the merger date | – |
| Gains or losses from contingencies unrelated to normal operations | – |
| In addition to the effective hedging related to normal operations, losses and profits from changes in fair value for holding of trading financial assets or trading financial liabilities, and gains from disposal of trading financial assets, trading financial liabilities, or available-for-sale financial assets | -5,063,741.86 |
| Reversal for impairment provision of receivables subject to separate impairment test | 4,325,672.25 |
| Gains or losses from external entrusted loans | – |
| Profits or losses from changes in fair value of investment property subsequently measured at fair value | – |
| Influence on the current gains or losses for once adjustment of the current gains or losses as required by the relevant taxation or accounting laws and regulations | – |
| Custodian fees gained in entrusted operation | – |
| Other non-operating incomes or expenditures except the above items | 1,418,829.25 |
| Other losses and profits conforming to the definition of non-recurring profit and loss | 5,059,591.11 |
| Subtotal | 175,494,146.77 |
| Effect of income tax | 26,961,129.25 |
| Impact on minority interest income (after-tax) | 37,252,119.09 |
| Total | 111,280,898.43 |

Notes to Unaudited Financial Statements

For the six months ended 30 June 2016
(Monetary unit for the Notes to these Financial Statements is RMB unless otherwise stated)

XV. APPROVAL OF FINANCIAL REPORT (Continued)

2. Return on net assets and earnings per share

Based on the provisions in *Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010)* issued by China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share, and diluted earnings per share for the Group for the six months ended 30 June 2016 are listed below:

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

China National Materials Company Limited

26 August 2016

Definitions

| | |
|--|--|
| “Audit Committee” | the audit committee of the Board |
| “BBMG” | BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company |
| “Board” | the board of Directors of the Company |
| “Cinda” | China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), one of the promoters of the Company |
| “CNBM Group” | China National Building Materials Group Corporation (中國建築材料集團有限公司) |
| “Company”, “our Company”, “we” or “us” | China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated on 31 July 2007 under the laws of the PRC |
| “CTG” | Taishan Fiberglass Inc. (泰山玻璃纖維有限公司), a wholly-owned subsidiary of Sinoma Science & Technology |
| “DaLian Rubber & Plastics” | DaLian Rubber & Plastics Machinery Co., Ltd. (大連橡膠塑料機械股份有限公司) |
| “Director(s)” | the director(s) of the Company |
| “Domestic Shares” | ordinary shares of RMB1.00 each in the share capital of the Company, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities |
| “Fukang Tianshan” | Xinjiang Fukang Tianshan Cement Co., Ltd. (新疆阜康天山水泥有限責任公司), a wholly-owned subsidiary of Tianshan Cement |
| “Greatwall Guoxing” | Greatwall Guoxing Finance Leasing Company Limited (長城國興金融租賃有限公司) |
| “Group” | the Company and its subsidiaries |
| “H Shares” | overseas listed foreign shares of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Jiugang Hongda” | Jiugang (Group) Hongda Building Materials Co., Ltd. (酒鋼(集團)宏達建材有限責任公司) |
| “Kunlunshan Ming” | Qinghai Kunlunshan Mining Development Co., Ltd. (青海崑崙山礦業發展有限公司), a subsidiary of the Parent |

Definitions

| | |
|------------------------------|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| “Ningxia Building Materials” | Ningxia Building Materials Group Co., Limited (寧夏建材集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600449), a subsidiary of the Company |
| “Nomination Committee” | the nomination committee of the Board |
| “NRDI” | Nanjing Fiberglass R&D Institute Co., Ltd. (南京玻璃纖維研究設計院有限公司), a wholly-owned subsidiary of Sinoma Science & Technology |
| “Parent” or “Sinoma Group” | China National Materials Group Corporation Ltd. (中國中材集團有限公司), the controlling shareholder and one of the promoters of the Company |
| “PRC” or “China” | the People’s Republic of China, which for the purposes of this interim report only (unless otherwise indicated) excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan |
| “Qicai Ming” | Qinghai Qicai Mining Co., Ltd. (青海祁材礦業有限公司), a subsidiary of the Company |
| “Qilianshan Holdings” | Gansu Qilianshan Building Materials Holdings Company Limited (甘肅祁連山建材控股有限公司), a subsidiary of the Company |
| “Qinghai Qilianshan” | Qinghai Qilianshan Cement Co., Ltd. (青海祁連山水泥有限公司), a subsidiary of the Company |
| “Remuneration Committee” | the remuneration committee of the Board |
| “Reporting Period” | the six months ended 30 June 2016 |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China |
| “Sinoma (Hong Kong)” | China National Materials (Hong Kong) Co., Limited (中國中材股份(香港)有限公司), a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong |
| “Sinoma Advanced Materials” | Sinoma Advanced Materials Co., Ltd. (中材高新材料股份有限公司), a subsidiary of the Company |
| “Sinoma Cement” | Sinoma Cement Co., Ltd. (中材水泥有限責任公司), a wholly-owned subsidiary of the Company |
| “Sinoma E&E” | Sinoma Equipment & Engineering Corp., Ltd. (中國中材東方國際貿易有限公司), a wholly-owned subsidiary of Sinoma International |

Definitions

| | |
|-------------------------------|--|
| “Sinoma International” | Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600970), a subsidiary of the Company |
| “Sinoma Jinjing” | Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司), a subsidiary of the Company |
| “Sinoma Mining” | Sinoma Mining Construction Co., Ltd. (中材礦山建設有限公司), a wholly-owned subsidiary of the Company |
| “Sinoma Science & Technology” | Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 002080), a subsidiary of the Company |
| “Strategy Committee” | the strategy committee of the Board |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |
| “Taishan Investment” | Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company |
| “Tianshan Cement” | Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), a subsidiary of the Company |
| “Tianshan Group” | Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材(集團)有限責任公司), a subsidiary of the Parent and one of the promoters of the Company |
| “Well Kent” | Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company |
| “Xiamen Standard Sand” | Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司), a subsidiary of the Company |
| “Yingke Hezhong” | Tengzhou Yingke Hezhong Investment Management Centre (Limited Partnership) (滕州盈科合眾投資管理中心(有限合夥)) |
| “Zibo Hi-Tech” | Zibo New & Hi-Tech Venture Capital Co., Ltd. (淄博高新技術風險投資股份有限公司), one of the promoters of the Company |



China National Materials
Company Limited