

Materials

Bring a Prosperous Life

Interim Report
2017



sinoma

China National Materials
Company Limited

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

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CORPORATE INFORMATION

As at 30 June 2017

DIRECTORS

Executive Directors

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

Non-executive Directors

LI Xinhua (*Vice Chairman*)
LI Jianlun
SHEN Yungang
WANG Fengting

Independent Non-executive Directors

LEUNG Chong Shun
LU Zhengfei
WANG Zhulin

SUPERVISORS

XU Weibing (*Chairman*)
ZHANG Hai
GUO Yanming
WANG Yingcai
QU Xiaoli

STRATEGY COMMITTEE

LIU Zhijiang (*Chairman*)
LI Xinhua
PENG Jianxin

AUDIT COMMITTEE

LU Zhengfei (*Chairman*)
LI Xinhua
WANG Zhulin

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

LIU Zhijiang (*Chairman*)
LEUNG Chong Shun
LU Zhengfei

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

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Beijing 100036, the PRC

PLACE OF BUSINESS IN HONG KONG

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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)

AUDITOR

ShineWing Certified Public Accountants LLP

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

01893

COMPANY WEBSITE

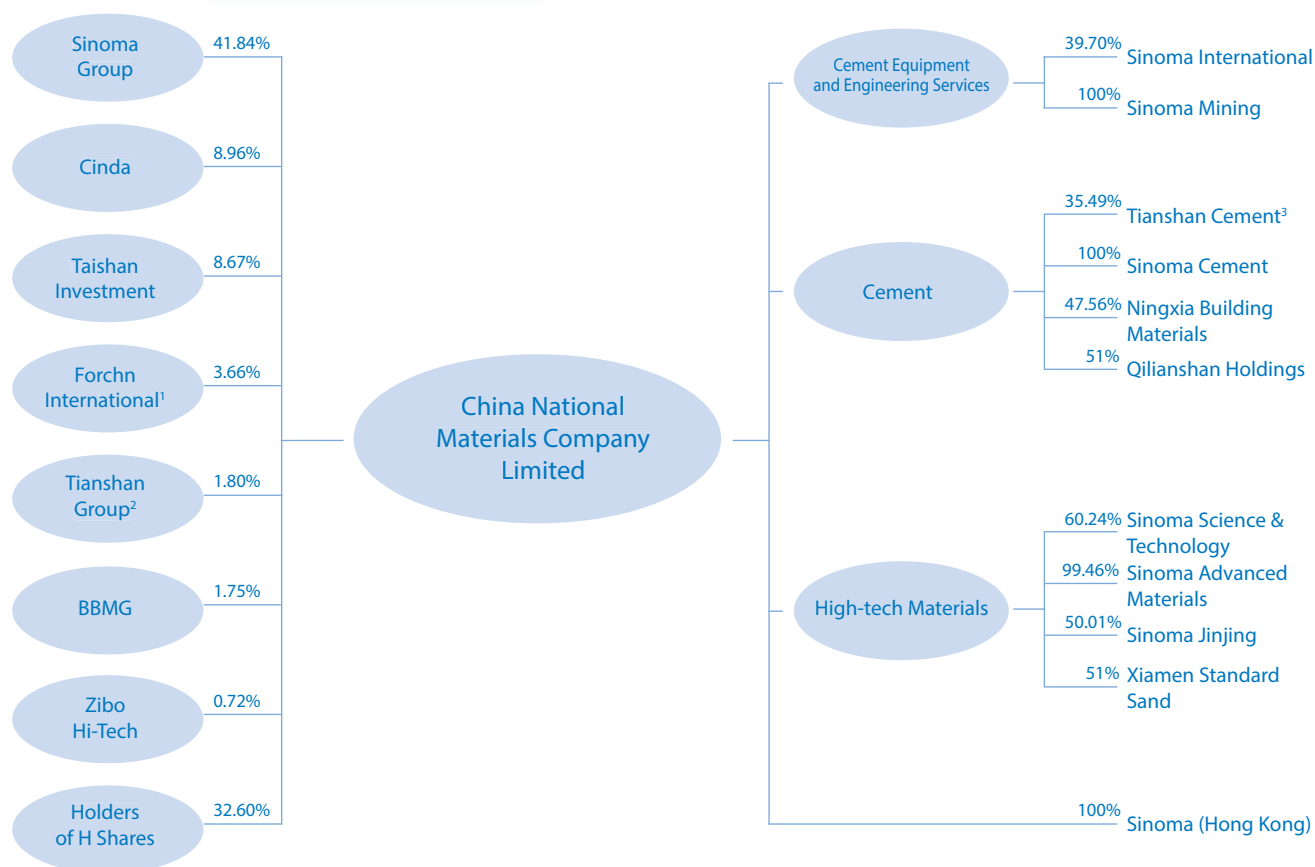
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INVESTOR CONTACT

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CORPORATE STRUCTURE

As at 30 June 2017



Notes:

- On 20 February 2017, China Securities Depository and Clearing Corporation Limited issued the Confirmation Letter for Securities Transfer and Registration (《過戶登記確認書》) in respect of the transfer by Well Kent International Holdings Company Limited ("Well Kent") of 130,793,218 unlisted foreign shares of the Company held by it to Forchn International.
- Sinoma Group holds 50.95% equity interest in Tianshan Group.
- On 28 September 2016, the Company entered into a share subscription contract with Tianshan Cement, pursuant to which Tianshan Cement proposed to issue no more than 167,638,483 A shares (inclusive) by way of private placement to the Company to raise proceeds of no more than RMB1,150 million (inclusive). As at the date of this report, the above-mentioned share subscription was not completed. For details, please refer to the announcement of the Company published on 28 September 2016 on the websites of the Hong Kong Stock Exchange and the Company.

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

FINANCIAL SUMMARY

	Six months ended 30 June		
	2017	2016	Change
	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Unaudited)	%
Total operating revenue	25,105.81	21,751.27	15.42
Net profit	1,268.61	428.13	196.31
Net profit attributable to shareholders of the Company	596.21	307.52	93.88
Basic earnings per share (RMB)	0.167	0.086	94.19

	As at	As at	Change
	30 June 2017	31 December 2016	
	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Audited)	
Total assets	107,865.54	102,422.77	5.31
Total liabilities	70,284.87	66,781.04	5.25
Ownership interests attributable to shareholders of the Company	17,929.09	16,641.74	7.74
Equity per share (RMB)	5.02	4.66	7.73

CEMENT EQUIPMENT AND ENGINEERING SERVICES

	Six months ended 30 June		
	2017	2016	Change %
Amount of new order intakes (RMB million)	17,837	18,793	-5.09

	As at	As at	Change %
	30 June 2017	31 December 2016	
Amount of backlog (RMB million)	73,528	68,281	7.68

CEMENT

	Six months ended 30 June		
	2017	2016	Change %
Sales volume of cement ('000 tonnes)	34,203	33,453	2.24
Sales volume of clinker ('000 tonnes)	4,708	3,525	33.56

HIGH-TECH MATERIALS

	Six months ended 30 June		
	2017	2016	Change %
Sales volume of glass fiber and products ('000 tonnes)	344	272	26.47
Sales volume of fan blades for wind power generators (set)	855	1,157	-26.10
Sales volume of solar-energy fused silica crucibles (unit)	74,587	94,196	-20.82
Sales volume of natural gas cylinders (unit)	76,283	63,280	20.55

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present to you the interim report of the Group for the six months ended 30 June 2017.

The world economy continued to improve in the first half of 2017. Developed economies recorded stable recovery in overall, while among emerging economies, China and India continued to lead the growth. However, the global economic recovery was imbalanced and strong structural growth has not yet appeared. The global economy was still facing many risks and uncertainties. The Chinese economy made progress while maintaining stability, with fully improved operational quality. Its industry structure continued to be optimised, and the cultivation of new momentum was accelerated. Social contributions recorded steady growth, continuing to show a stable growth momentum. Improving development quality and efficiency as the core operations, promoting supply-side structural reform as the main thread, and accelerating the implementation of "going out" strategy, with the momentum of reform and innovation, the Company seized the opportunities of positive Chinese economy and spared no efforts in establishing itself as an innovative, international and value-added enterprise. It continued to promote healthy development and conduct quality improvement and efficiency enhancement, and was able to maintain successful production and operation, with significant increase in operating results.

During the Reporting Period, total operating revenue of the Group was RMB25,105.81 million, representing a year-on-year increase of 15.42%; net profit was RMB1,268.61 million, representing a year-on-year increase of 196.31%; net profit attributable to shareholders of the Company was RMB596.21 million, representing a year-on-year increase of 93.88%; basic earnings per share of the Company were RMB0.167.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

During the Reporting Period, facing the complicated and changeable international and domestic economic situations, the segment developed and optimised its traditional core business, cultivated and developed environmental protection and energy-saving business, and accelerated the "three conversions", with "consolidation and optimisation, quality improvement and efficiency enhancement" as its core task and "leading innovations and industrial development" as the key. During the Reporting Period, the new order intake amounted to RMB17,837 million, representing a year-on-year decrease of 5.09%. As at 30 June 2017, the backlog order amounted to RMB73,528 million.

CEMENT

During the Reporting Period, facing the adverse conditions of serious overcapacity in the cement industry, the segment seized the favourable opportunities arising from the steady growth of fixed assets investment and recovery of property investment to actively implement its operating strategy of "price stabilization, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment", deepen the supply-side structural reform, facilitate enterprise integration and accelerate the elimination of backward production capacity. In addition, it adopted various measures to strengthen the control of costs and expenses and continued to improve its operation and management, leading to the increase in price and steady supply.

HIGH-TECH MATERIALS

During the Reporting Period, the segment firmly grasped the market opportunities arising from the recovery of the glass fiber industry to continue to strengthen its efforts in market development, adjust product mix, enhance production capacity and enhance production efficiency. As a result, the sales volume significantly increased. It strengthened the marketing and research and development of wind power fan blades, timely adjusted product mix and production capacity planning, increased the production of high power fan blades, and optimised the structure of strategic customers. As a result, it maintained No.1 market share in domestic wind power fan blade market.

OUTLOOK

Given the intensifying trade protectionism and the Federal Reserve's entering the stage of interest rate rise and balance sheet shrinkage in the second half of 2017, the uncertainties about global economy increased. The Chinese economy is still in a difficult period to deal simultaneously with the slowdown in economic growth, making difficult structural adjustments, and absorbing the effects of the previous economic stimulus policies. With tight capital supply and decreasing property investments, there are still large downward pressure for the Chinese economy. The serious overcapacity in the cement industry will exist for a long time. Insufficient market demand provides fragile support for the price. However, the trend of stable and improved Chinese macro economy will not be changed. The deepening of the supply-side structural reform, the optimisation and upgrading of industrial structure, the implementation of three major strategies, being the development of the Belt and Road Initiative, the coordinated development of Beijing-Tianjin-Hebei, and the development of the Yangtze River Economic Belt, as well as the development of the Xiong'an New Area, will all provide major opportunities for the development of the Company. The Company will actively implement its operating strategies of "consolidation first, quality improvement and efficiency enhancement", "price stabilization, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment" and "effectiveness and efficiency first" by focusing on the development of its core business, further optimizing resource allocation through healthy development, improving quality and efficiency, and actively cultivating new driving forces for innovative development. It will improve the management of accounts receivable and inventory and strictly control investment, debt and financial risks. It will speed up the pace of "going out" and continue to improve its market competitiveness in order to provide returns to its shareholders and the community with outstanding operating results.

Cement Equipment and Engineering Services

The segment will seize the opportunities brought by the Belt and Road Initiative to give full play to its own brand advantages and actively develop overseas markets. It will accelerate industrial transformation and upgrading, focus on customer services, deeply explore regional markets, and develop the energy-saving and environmental protection business. It will continue to improve the core competitiveness of its traditional core business, and actively explore the new model of "sharing, competition and cooperation" to make full use of various strengths and synergies. It will continue to strengthen cost control for EPC projects and boost its refined management level.

Cement

The segment will actively implement the operating strategy of "maintaining steady prices and sales volume" and give full play to its brand advantages to further enhance market share. It will deeply promote the supply-side structural reform, accelerate the elimination of backward production capacity, promote technical upgrade, and improve the efficiency of resource utilisation, so as to effectively save energy consumption and realize green development. It will promote global cooperation on production capacity and overseas layout of the cement business.

High-tech Materials

The segment will closely follow market trends, further adjust product mix and production capacity planning, strengthen the efforts in internal assets and business consolidation, leverage industrial development and implement the strategy of "increasing varieties, improving quality and building brands" to comprehensively improve its profitability and market share. It will also strengthen its technical innovation ability, strive to make breakthroughs and possess core technologies, establish a highly-efficient, coordinated and open technical innovation system, and accelerate the development of an innovative development platform and a team of innovative talents in order to occupy the commanding heights of future industrial development.

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
25 August 2017

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 world's economy was slow. However, the intensifying trade protectionism, frequent occurrence of regional conflicts and the spread of terrorism have increased the uncertainties about the international cement construction market. The Chinese economy remained steady and improved with growing positive factors continuing to increase, but its foundation still remained weak. The serious overcapacity in the cement industry has not fundamentally improved, and the cement engineering construction market was shrinking, with most of domestic demand representing cement spare parts and technical upgrading. The Belt and Road Forum for International Cooperation held in China in May 2017 signalled that the development of the Belt and Road Initiative has entered a new stage of comprehensive practical development. With the implementation of the Belt and Road Initiative and the development of infrastructure, urbanization and industrialization in the countries and regions alongside, we have been provided with a vast market and numerous business opportunities.

Business Review

Continuing to strengthen market development efforts to further consolidate its leading position in market share

The segment gave full play to its own brand advantages and actively developed overseas markets. While further consolidating its strong market position in, among others, Southeast Asia, Middle East and Africa, it also strengthened its efforts to develop the markets in South America, East Europe, etc. During the Reporting Period, the new overseas order intake amounted to RMB13,640 million, with international market share remaining No.1 in the world. The new domestic order intake amounted to RMB4,197 million, representing a year-on-year increase of 17.14%. As at 30 June 2017, the backlog order amounted to RMB73,528 million.

Accelerating industrial transformation and actively exploring new business

The segment actively explored new areas of business. Diversified construction projects, customer services and energy saving and environmental protection business have become steady sources of profit of the Company. During the Reporting Period, the new order intake for production and operation management amounted to RMB2,134 million, representing a year-on-year increase of 16.87 times. It obtained 9 new projects in the areas of power, energy, road and infrastructure development, with contract value of RMB2,465 million, representing a year-on-year increase of 130.56 times. The new order intake for energy saving and environmental protection business amounted to RMB1,349 million, representing a year-on-year increase of 69%. With the continuous diversified development, the Company will transform from a cement engineering services provider into a comprehensive international engineering services provider.

Strengthening refined management and enhancing contract fulfilment capability

During the Reporting Period, the segment was implementing 115 EPC projects, and obtained 14 PAC certificates and 5 FAC certificates. More than 10 projects were completed ahead of schedule or as scheduled, and its project quality has won wide recognition from project owners. The segment continued to strengthen refined management. Through various measures such as benchmarking, standard development and innovative assessment and motivation models, its cost control ability was further improved, and its gross profit margin increased by 1.78 percentage points year-on-year, indicating further improved profitability.

CEMENT

Industry Review

During the Reporting Period, with the deep promotion of the supply-side structural reform in the cement industry, as well as strengthened efforts to restrict newly-increased production capacity, eliminate backward production capacity and promote production at off-peak hours, the imbalance between supply and demand eased, and cement prices bounced back in most regions of China. In the first half of 2017, total cement production in China amounted to 1,113 million tonnes, representing a year-on-year increase of 0.4%.

Business Review

Seizing market opportunities to significantly improve profitability

The segment captured the favourable opportunities arising from the recovery of cement price to leverage its brand advantages and regional control to increase market share. As a result, it recorded year-on-year increases in both sales volume and price of cement, and its profitability significantly improved year-on-year. During the Reporting Period, sales volume of cement and clinker was 38.91 million tonnes, representing a year-on-year increase of 5.23%, and selling price and gross profit margin increased by 25% and 5.58 percentage points, respectively, on a year-on-year basis.

Strengthening refined management to effectively lower costs

By focusing on cost control, enhancing centralised procurement and benchmarking management and refining assessment indicators, product costs were effectively lowered. During the Reporting Period, cost of sales of cement decreased by 0.12% year-on-year, comprehensive energy consumption of cement per tonne decreased by 0.70% year-on-year, and comprehensive energy consumption of clinker per tonne decreased by 0.90% year-on-year.

Firmly promoting international production capacity cooperation and accelerating the construction of the industrial park in Zambia

The segment accelerated the construction of the industrial park project in Zambia. The 2,500t/d clinker and cement production line project in the park made rapid progress since the commencement of its construction in the second half of 2016. The overall project progress rate of the production line has exceeded 70%, and the product line is expected to be put into operation in the first half of 2018. Furthermore, the sintered brick project with an annual capacity of 60 million units has also commenced construction in the park. Upon completion of the sintered brick project, it will utilise wastes from mine stripping to satisfy local market demands.

HIGH-TECH MATERIALS

Industry Review

During the Reporting Period, the demand for glass fiber continued to recover, mainly benefiting from the increase in demand from downstream industries such as automobile and home appliances. For the wind power fan blade industry, as a result of China's phenomenon of "abandoned and curbed wind power", the installed capacity in the north-western, northern and north-eastern regions of China sharply decreased. For the cylinder market, due to the falling international crude oil prices, passenger vehicle industry's demand for cylinder products further decreased, while there was a significant increase in the demand for cylinder products from modified heavy truck industry. The prices of major solar energy silica crucible products fell as a result of decreased demand from downstream industries.

Business Review

Maintaining No.1 market share in the domestic wind power fan blade market

Facing the adverse situations arising from the decline in the demand for wind power fan blades, the segment strengthened marketing and product research and development, timely adjusted product mix and production capacity planning, and accelerated the production capacity planning in coastal areas and the development of new offshore products. Its product mix was changed, with main products changed to large blades of over 2.0 MW from those of 1.5 MW. Its production was relocated from inland to coastal areas with medium-and low-wind speed areas. During the Reporting Period, sales volume of various models of blades was 855 sets, maintaining No.1 market share in the domestic market.

Optimizing product mix and production line structure and substantially improving performance for glass fiber business

The segment captured the opportunities arising from market recovery to adjust product mix and increase the production capacity of large tank-kilns. Thermoplastic products have become the largest type of products of this segment. With the successful production at the 100,000 t/a tank-kiln F04 production line, the production capacity of large tank-kilns of the Company reached over 73%, further improving its profitability. During the Reporting Period, sales volume of glass fiber and related products was 340,000 tonnes, representing a year-on-year increase of 26.47%. All operating indicators reached record-high.

Centralising leading resources on the acceleration of the construction of four lithium battery membrane production lines each with annual capacity of 60 million sq.m.

The segment centralised its leading resources on the acceleration of the construction of four lithium battery membrane production lines each with an annual capacity of 60 million sq.m. During the Reporting Period, the installation of equipment for two lithium battery membrane production lines each with annual capacity of 60 million sq.m. was substantially completed, and these two production lines had entered the stage of commissioning and are expected to commence production in the second half of 2017. The other two production lines are expected to be put into operation in the first half of 2018. As the lithium battery membrane production lines are gradually put into production, new sources of profit will be created for the Company.

FINANCIAL REVIEW

	Six months ended 30 June		
	2017	2016	Change
	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Unaudited)	%
Total operating revenue	25,105.81	21,751.27	15.42
Operating cost	(19,306.22)	(17,523.67)	10.17
Gross profit	5,799.59	4,227.60	37.18
Taxes and surcharges	(277.74)	(142.46)	94.96
Selling expenses	(964.61)	(922.63)	4.55
Administrative expenses	(2,141.95)	(1,861.27)	15.08
Financial expenses	(877.06)	(781.74)	12.19
Asset impairment losses	(93.59)	(157.78)	(40.68)
Income (losses) from changes in fair value	3.23	(9.20)	–
Investment income	14.76	34.04	(56.64)
Other income	209.17	–	–
Operating profit	1,671.80	386.56	332.48
Non-operating income	83.28	311.55	(73.27)
Non-operating expenses	(76.30)	(32.83)	132.41
Total profit	1,678.78	665.28	152.34
Income tax expenses	(410.17)	(237.15)	72.96
Net profit	1,268.61	428.13	196.31
Net profit attributable to shareholders of the Company	596.21	307.52	93.88
Minority interests	672.40	120.61	457.50

Results Performance

Total profit of the Group for the six months ended 30 June 2017 was RMB1,678.78 million, representing an increase of 152.34% as compared with the corresponding period of last year. Net profit attributable to shareholders of the Company was RMB596.21 million, representing an increase of 93.88% as compared with the corresponding period of last year. Basic earnings per share of the Company were RMB0.167.

Consolidated Operating Results

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

Total operating revenue

Total operating revenue of the Group for the six months ended 30 June 2017 was RMB25,105.81 million, representing an increase of 15.42% as compared with RMB21,751.27 million in the corresponding period of last year, mainly due to the increase in the total operating revenue of the cement segment. In particular, the total operating revenue of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB425.24 million, RMB2,465.98 million and RMB770.67 million respectively.

Operating cost

Operating cost of the Group for the six months ended 30 June 2017 was RMB19,306.22 million, representing an increase of 10.17% as compared with RMB17,523.67 million in the corresponding period of last year, mainly due to the increase in the operating cost of the cement segment. In particular, the operating cost of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB188.23 million, RMB1,365.57 million and RMB480.26 million respectively.

Gross profit and gross margin

Gross profit of the Group for the six months ended 30 June 2017 was RMB5,799.59 million, representing an increase of 37.18% as compared with RMB4,227.60 million in the corresponding period of last year. In particular, the gross profit of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB237.01 million, RMB1,100.41 million and RMB290.41 million respectively. Gross margin was 23.10%, representing an increase of 3.66 percentage points as compared with 19.44% in the corresponding period of last year.

Taxes and surcharges

Taxes and surcharges of the Group for the six months ended 30 June 2017 were RMB277.74 million, representing an increase of 94.96% as compared with RMB142.46 million in the corresponding period of last year, mainly due to the reclassification of certain taxes from administrative expenses to taxes and surcharges since May 2016 in accordance with the requirements of Circular CK [2016], No. 22. In particular, the taxes and surcharges of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB6.96 million, RMB73.36 million and RMB54.27 million respectively.

Selling expenses

Selling expenses of the Group for the six months ended 30 June 2017 were RMB964.61 million, representing an increase of 4.55% as compared with RMB922.63 million in the corresponding period of last year, mainly due to the increase in the selling expenses of the high-tech materials segment. In particular, the selling expenses of the cement equipment and engineering services segment and the high-tech materials segment increased by RMB11.25 million and RMB31.42 million respectively, while the selling expenses of the cement segment decreased by RMB0.69 million.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2017 were RMB2,141.95 million, representing an increase of 15.08% as compared with RMB1,861.27 million in the corresponding period of last year, mainly due to the increase in the administrative expenses of the cement segment. In particular, the administrative expenses of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB11.75 million, RMB211.54 million and RMB35.20 million respectively.

Financial expenses

Financial expenses of the Group for the six months ended 30 June 2017 were RMB877.06 million, representing an increase of 12.19% as compared with RMB781.74 million in the corresponding period of last year, mainly due to the increase in the financial expenses of the cement equipment and engineering services segment. In particular, the financial expenses of the cement equipment and engineering services segment and the high-tech materials segment increased by RMB141.38 million and RMB7.27 million respectively, while the financial expenses of the cement segment decreased by RMB56.03 million.

Asset impairment losses

Asset impairment losses of the Group for the six months ended 30 June 2017 were RMB93.59 million, representing a decrease of 40.68% as compared with RMB157.78 million in the corresponding period of last year, mainly due to the decrease in the asset impairment losses of the cement equipment and engineering services segment. In particular, the asset impairment losses of the cement equipment and engineering services segment decreased by RMB84.08 million, while the asset impairment losses of the cement segment and the high-tech materials segment increased by RMB16.01 million and RMB3.90 million respectively.

Income (losses) from changes in fair value

Income from changes in fair value of the Group for the six months ended 30 June 2017 was RMB3.23 million, representing an increase of RMB12.43 million as compared with losses from changes in fair value of RMB9.20 million in the corresponding period of last year. The income from changes in fair value was all generated from the cement equipment and engineering services segment.

Investment income

Investment income of the Group for the six months ended 30 June 2017 was RMB14.76 million, representing a decrease of 56.64% as compared with RMB34.04 million in the corresponding period of last year, mainly due to the decrease in the investment income of the cement segment. In particular, the investment income of the cement equipment and engineering services segment and the cement segment decreased by RMB3.27 million and RMB10.22 million respectively, while the investment income of the high-tech materials segment increased by RMB0.46 million.

Other income

In accordance with the newly amended "Accounting Standards for Business Enterprises – Government Grants, No. 16", the government grants in relation to the daily operating activities of the company were reclassified to other income for the current period. Other income of the Group for the six months ended 30 June 2017 was RMB209.17 million. In particular, the other income of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment was RMB3.08 million, RMB136.63 million and RMB69.46 million respectively.

Operating profit and operating profit margin

Operating profit of the Group for the six months ended 30 June 2017 was RMB1,671.80 million, representing an increase of 332.48% as compared with RMB386.56 million in the corresponding period of last year. Operating profit margin was 6.66%, representing an increase of 4.88 percentage points as compared with 1.78% in the corresponding period of last year.

Non-operating income

Non-operating income of the Group for the six months ended 30 June 2017 was RMB83.28 million, representing a decrease of 73.27% as compared with RMB311.55 million in the corresponding period of last year, mainly due to the reclassification of the government grants in relation to the daily operating activities of the company from non-operating income to other income for the current period according to the newly amended "Accounting Standards for Business Enterprises – Government Grants, No. 16".

Non-operating expenses

Non-operating expenses of the Group for the six months ended 30 June 2017 were RMB76.30 million, representing an increase of 132.41% as compared with RMB32.83 million in the corresponding period of last year, mainly due to the loss incurred from disposal of fixed assets by certain subsidiaries of the cement segment during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Total profit

Total profit of the Group for the six months ended 30 June 2017 was RMB1,678.78 million, representing an increase of 152.34% as compared with RMB665.28 million in the corresponding period of last year.

Income tax expenses

Income tax expenses of the Group for the six months ended 30 June 2017 were RMB410.17 million, representing an increase of 72.96% as compared with RMB237.15 million in the corresponding period of last year, mainly due to the fact that most of the subsidiaries of the cement segment suffered losses 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 2017 was RMB596.21 million, representing an increase of 93.88% as compared with RMB307.52 million in the corresponding period of last year, mainly due to the substantial increases in the results of the subsidiaries in which the Company holds relatively small shareholdings for the current period.

Minority interests

Minority interests for the six months ended 30 June 2017 were RMB672.40 million, representing an increase of 457.50% as compared with RMB120.61 million in the corresponding period of last year.

Segment results

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

Cement Equipment and Engineering Services

	Six months ended 30 June		
	2017	2016	Change
	RMB million (Unaudited)	RMB million (Unaudited)	%
Total operating revenue	9,914.61	9,489.37	4.48
Operating cost	(8,329.28)	(8,141.05)	2.31
Gross profit	1,585.33	1,348.32	17.58
Taxes and surcharges	(58.04)	(51.08)	13.63
Selling expenses	(144.10)	(132.85)	8.47
Administrative expenses	(650.20)	(638.45)	1.84
Financial (expenses) income	(134.42)	6.96	–
Asset impairment gains (losses)	8.78	(75.30)	–
Income (losses) from changes in fair value	3.23	(9.20)	–
Investment income	0.88	4.15	(78.80)
Other income	3.08	–	–
Operating profit	614.54	452.55	35.79

Total operating revenue

Total operating revenue of the cement equipment and engineering services segment for the six months ended 30 June 2017 was RMB9,914.61 million, representing an increase of 4.48% as compared with RMB9,489.37 million in the corresponding period of last year.

Operating cost

Operating cost of the cement equipment and engineering services segment for the six months ended 30 June 2017 was RMB8,329.28 million, representing an increase of 2.31% as compared with RMB8,141.05 million in the corresponding period of last year.

Gross profit and gross margin

Gross profit of the cement equipment and engineering services segment for the six months ended 30 June 2017 was RMB1,585.33 million, representing an increase of 17.58% as compared with RMB1,348.32 million in the corresponding period of last year. Gross margin was 15.99%, representing an increase of 1.78 percentage points as compared with 14.21% in the corresponding period of last year.

Taxes and surcharges

Taxes and surcharges of the cement equipment and engineering services segment for the six months ended 30 June 2017 were RMB58.04 million, representing an increase of 13.63% as compared with RMB51.08 million in the corresponding period of last year, mainly due to the reclassification of certain taxes from administrative expenses to taxes and surcharges since May 2016 in accordance with the requirements of Circular CK [2016], No. 22.

Selling expenses

Selling expenses of the cement equipment and engineering services segment for the six months ended 30 June 2017 were RMB144.10 million, representing an increase of 8.47% as compared with RMB132.85 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 2017 were RMB650.20 million, representing an increase of 1.84% as compared with RMB638.45 million in the corresponding period of last year.

Financial (expenses) income

Financial expenses of the cement equipment and engineering services segment for the six months ended 30 June 2017 were RMB134.42 million, representing an increase of RMB141.38 million as compared with financial income of RMB6.96 million in the corresponding period of last year, mainly due to the increase in exchange losses.

Asset impairment gains (losses)

Asset impairment gains of the cement equipment and engineering services segment for the six months ended 30 June 2017 were RMB8.78 million, representing an increase of RMB84.08 million as compared with asset impairment losses of RMB75.30 million in the corresponding period of last year, mainly due to the collection of certain receivables with provision for doubtful debts of previous years during the current period.

Income (losses) from changes in fair value

Income from changes in fair value of the cement equipment and engineering services segment for the six months ended 30 June 2017 was RMB3.23 million, representing an increase of RMB12.43 million as compared with the losses from changes in fair value of RMB9.20 million in the corresponding period of last year, mainly due to the changes in fair value of foreign exchange forward contracts.

Investment income

Investment income of the cement equipment and engineering services segment for the six months ended 30 June 2017 was RMB0.88 million, representing a decrease of 78.80% as compared with RMB4.15 million in the corresponding period of last year, mainly due to the losses on the settlements of foreign exchange forward contracts during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income of the cement equipment and engineering services segment for the six months ended 30 June 2017 was RMB3.08 million.

Operating profit

Based on the above, operating profit of the cement equipment and engineering services segment for the six months ended 30 June 2017 was RMB614.54 million, representing an increase of 35.79% as compared with RMB452.55 million in the corresponding period of last year.

Cement

	Six months ended 30 June		
	2017	2016	Change
	<i>RMB million</i>	<i>RMB million</i>	%
	(Unaudited)	(Unaudited)	
Total operating revenue	10,470.74	8,004.76	30.81
Operating cost	(7,695.51)	(6,329.94)	21.57
Gross profit	2,775.23	1,674.82	65.70
Taxes and surcharges	(135.61)	(62.25)	117.85
Selling expenses	(569.53)	(570.22)	(0.12)
Administrative expenses	(934.97)	(723.43)	29.24
Financial expenses	(416.34)	(472.37)	(11.86)
Asset impairment losses	(62.02)	(46.01)	34.80
Investment income	3.21	13.43	(76.10)
Other income	136.63	–	–
Operating profit (losses)	796.60	(186.03)	–

Total operating revenue

Total operating revenue of the cement segment for the six months ended 30 June 2017 was RMB10,470.74 million, representing an increase of 30.81% as compared with RMB8,004.76 million in the corresponding period of last year, mainly due to the increase in the prices and the sales volume of cement products.

Operating cost

Operating cost of the cement segment for the six months ended 30 June 2017 was RMB7,695.51 million, representing an increase of 21.57% as compared with RMB6,329.94 million in the corresponding period of last year, mainly due to the increase in unit production cost and the sales volume of cement products.

Gross profit and gross margin

Gross profit of the cement segment for the six months ended 30 June 2017 was RMB2,775.23 million, representing an increase of 65.70% as compared with RMB1,674.82 million in the corresponding period of last year. Gross margin was 26.50%, representing an increase of 5.58 percentage points as compared with 20.92% in the corresponding period of last year, mainly due to the increase in selling prices.

Taxes and surcharges

Taxes and surcharges of the cement segment for the six months ended 30 June 2017 were RMB135.61 million, representing an increase of 117.85% as compared with RMB62.25 million in the corresponding period of last year, mainly due to the reclassification of certain taxes from administrative expenses to taxes and surcharges since May 2016 in accordance with the requirements of Circular CK [2016], No. 22.

Selling expenses

Selling expenses of the cement segment for the six months ended 30 June 2017 were RMB569.53 million, representing a decrease of 0.12% as compared with RMB570.22 million in the corresponding period of last year, mainly due to the decrease in packaging expenses resulted from the decrease in the proportion of bagged cement.

Administrative expenses

Administrative expenses of the cement segment for the six months ended 30 June 2017 were RMB934.97 million, representing an increase of 29.24% as compared with RMB723.43 million in the corresponding period of last year, mainly due to the increase in labour cost and repairing expenses.

Financial expenses

Financial expenses of the cement segment for the six months ended 30 June 2017 were RMB416.34 million, representing a decrease of 11.86% as compared with RMB472.37 million in the corresponding period of last year, mainly due to the reduction in scale of interest-bearing debts.

Asset impairment losses

Asset impairment losses of the cement segment for the six months ended 30 June 2017 were RMB62.02 million, representing an increase of 34.80% as compared with RMB46.01 million in the corresponding period of last year, mainly due to the provision made for impairment losses of construction in progress by Gansu Qilianshan Cement Group Company Limited.

Investment income

Investment income of the cement segment for the six months ended 30 June 2017 was RMB3.21 million, representing a decrease of 76.10% as compared with RMB13.43 million in the corresponding period of last year, mainly due to the decrease in the dividends received from the investees of the Group for the current period.

Other income

Other income of the cement segment for the six months ended 30 June 2017 was RMB136.63 million, most of which was the refund of value-added taxes in the government grants.

Operating profit (losses)

Based on the above, operating profit of the cement segment for the six months ended 30 June 2017 was RMB796.60 million, representing an increase of RMB982.63 million as compared with operating losses of RMB186.03 million in the corresponding period of last year.

High-tech Materials

	Six months ended 30 June		
	2017	2016	Change
	<i>RMB million</i>	<i>RMB million</i>	%
	(Unaudited)	(Unaudited)	
Total operating revenue	5,250.69	4,480.02	17.20
Operating cost	(3,802.65)	(3,322.39)	14.46
Gross profit	1,448.04	1,157.63	25.09
Taxes and surcharges	(82.16)	(27.89)	194.59
Selling expenses	(250.98)	(219.56)	14.31
Administrative expenses	(513.31)	(478.11)	7.36
Financial expenses	(193.90)	(186.63)	3.90
Asset impairment losses	(40.36)	(36.46)	10.70
Investment income	1.58	1.12	41.07
Other income	69.46	–	–
Operating profit	438.37	210.10	108.65

Total operating revenue

Total operating revenue of the high-tech materials segment for the six months ended 30 June 2017 was RMB5,250.69 million, representing an increase of 17.20% as compared with RMB4,480.02 million in the corresponding period of last year, mainly due to the increase in sales volume of glass fiber and products.

Operating cost

Operating cost of the high-tech materials segment for the six months ended 30 June 2017 was RMB3,802.65 million, representing an increase of 14.46% as compared with RMB3,322.39 million in the corresponding period of last year, mainly due to the increase in sales volume of glass fiber and products.

Gross profit and gross margin

Gross profit of the high-tech materials segment for the six months ended 30 June 2017 was RMB1,448.04 million, representing an increase of 25.09% as compared with RMB1,157.63 million in the corresponding period of last year. Gross margin was 27.58%, representing an increase of 1.74 percentage points as compared with 25.84% in the corresponding period of last year, mainly due to the increase in gross margin of glass fiber and products.

Taxes and surcharges

Taxes and surcharges of the high-tech materials segment for the six months ended 30 June 2017 were RMB82.16 million, representing an increase of 194.59% as compared with RMB27.89 million in the corresponding period of last year, mainly due to the reclassification of certain taxes from administrative expenses to taxes and surcharges since May 2016 in accordance with the requirements of Circular CK [2016], No. 22.

Selling expenses

Selling expenses of the high-tech materials segment for the six months ended 30 June 2017 were RMB250.98 million, representing an increase of 14.31% as compared with RMB219.56 million in the corresponding period of last year, mainly due to the increase in transportation expenses resulted from the increase in sales volume of products.

Administrative expenses

Administrative expenses of the high-tech materials segment for the six months ended 30 June 2017 were RMB513.31 million, representing an increase of 7.36% as compared with RMB478.11 million in the corresponding period of last year, mainly due to the increase in the labour cost.

Financial expenses

Financial expenses of the high-tech materials segment for the six months ended 30 June 2017 were RMB193.90 million, representing an increase of 3.90% as compared with RMB186.63 million in the corresponding period of last year, mainly due to the increase in exchange losses.

Asset impairment losses

Asset impairment losses of the high-tech materials segment for the six months ended 30 June 2017 were RMB40.36 million, representing an increase of 10.70% as compared with RMB36.46 million in the corresponding period of last year, mainly due to the increase in losses on bad debts and decline in the value of inventory for the current period.

Investment income

Investment income of the high-tech materials segment for the six months ended 30 June 2017 was RMB1.58 million, representing an increase of 41.07% as compared with RMB1.12 million in the corresponding period of last year, mainly due to the increase in the profit of Taishan Fiberglass South Africa (PTY) Ltd., a joint venture of the Company.

Other income

Other income of the high-tech materials segment for the six months ended 30 June 2017 was RMB69.46 million.

Operating profit

Based on the above, operating profit of the high-tech materials segment for the six months ended 30 June 2017 was RMB438.37 million, representing an increase of 108.65% as compared with RMB210.10 million in the corresponding period of last year.

Liquidity and Capital Resources**Cash flows**

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	2,835.16	2,052.84
Net cash flows from investing activities	(928.93)	(895.59)
Net cash flows from financing activities	(381.15)	2,289.36
Cash and cash equivalents at the end of the period	16,916.83	16,473.20

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flows from operating activities

Net cash flows from operating activities increased from RMB2,052.84 million in the corresponding period of last year to RMB2,835.16 million for the six months ended 30 June 2017, mainly due to the substantial increase of profits for the current period.

Net cash flows from investing activities

Net cash flows from investing activities increased from RMB-895.59 million in the corresponding period of last year to RMB-928.93 million for the six months ended 30 June 2017.

Net cash flows from financing activities

Net cash flows from financing activities for the six months ended 30 June 2017 was RMB-381.15 million as compared with RMB2,289.36 million in the corresponding period of last year, mainly due to the fact that the Company issued super short-term commercial papers and Sinoma Science & Technology issued shares in the corresponding period of last year.

Working Capital

As at 30 June 2017, the Group's cash and cash equivalents amounted to RMB16,916.83 million (31 December 2016: RMB15,503.45 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 30 June 2017 was 95.94% (31 December 2016: 85.79%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including short-term borrowings, long-term borrowings, non-current liabilities due within one year (long-term borrowings due within one year, bonds payable due within one year and certain long-term payables due within one year), other current liabilities (short-term commercial papers and lease payment of sale-leaseback assets due within one year), bonds payable (corporate bonds and medium-term notes) and certain long-term payables as shown in the consolidated balance sheet) less monetary funds. As at 30 June 2017, the net debt ratio of the Group was 37.77% (31 December 2016: 43.04%).

With stable cash inflows 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 2017, the balance of the Group's borrowings amounted to RMB33,873.51 million.

	2017 30 June RMB million (Unaudited)	2016 31 December RMB million (Audited)
Short-term borrowings, long-term borrowings and medium-term notes due within one year, lease payment of finance lease due within one year	15,692.67	14,331.98
Short-term commercial papers	1,900.00	6,400.00
Long-term borrowings and finance lease, net of portions due within one year	8,484.02	6,849.86
Corporate bonds	4,196.82	1,596.12
Medium-term notes, net of portions due within one year	3,600.00	4,100.00
Total borrowings	33,873.51	33,277.96

Pledge of Assets

As at 30 June 2017 and 31 December 2016, the pledge of assets of the Group was as follows:

	2017 30 June RMB million (Unaudited)	2016 31 December RMB million (Audited)
Bills receivable	1,094.86	580.06
Accounts receivable	48.49	14.81
Long-term equity investments	1,272.37	800.03
Fixed assets	5,007.16	4,224.94
Intangible assets	373.58	369.54
Total	7,796.46	5,989.38

Contingent Liabilities

The Saudi Arabian branch of Sinoma International ("Saudi Arabian Branch") was required by Saudi Arabian tax bureau to pay short-paid taxes of 33.04 million riyals and 77.04 million riyals (both exclusive of the corresponding overdue fine). Save for the matter disclosed above, as at 30 June 2017, the Group had no material contingent liabilities.

Material Investment

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

Material Acquisitions and Disposals

On 29 June 2017, Beijing Sinoma Synthetic Crystals Co., Ltd. ("Beijing Synthetic Crystals"), a subsidiary of the Company, entered into an equity transfer agreement with Sinoma Group. Pursuant to the equity transfer agreement, Beijing Synthetic Crystals agreed to acquire and Sinoma Group agreed to sell the 100% equity interest in Sinoma Synthetic Crystals Research Institute Co., Ltd. at a total consideration of RMB45,184,600. For details, please refer to the announcement of the Company published on 29 June 2017 on the websites of the Hong Kong Stock Exchange and the Company.

Save as disclosed above, during the Reporting Period, the Company had no other material acquisitions and disposals of subsidiaries, associates and joint ventures.

Market Risks

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

Contract risks

The international business accounts for a large proportion in the Company's cement equipment and engineering services business, 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 may risk being deferred, modified or terminated.

During the Reporting Period, the Company further enhanced the management of contract risks, standardized contract terms of new order intakes and improved the capability of implementation of contracts. The Company cleared out the contracts at hand and had 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 bears 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.

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 2017.

SHARE CAPITAL

The share capital structure of the Company as at 30 June 2017 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	1,164,148,115	32.60%
Total	3,571,464,000	100.00%

INTERIM DIVIDEND

The Company has not proposed to declare or distribute any interim dividend for the six months ended 30 June 2017.

CHANGE OF INFORMATION

Below is the change regarding Directors or Supervisors which is required to be disclosed under Rule 13.51B(1) of the Listing Rules:

Guo Yanming, a Supervisor, resigned as a deputy general manager of BBMG Corporation (the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 02009)) on 26 May 2017, and was appointed as a non-executive director of BBMG Corporation on 27 June 2017.

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 interests in 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").

OTHER INFORMATION

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

As at 30 June 2017, 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	Type of Shares	Nature of interests	Number of Shares interested	Percentage to the respective class of issued shares capital	Percentage to the total share capital
China National Building Material Group Co., Ltd. ²	Domestic Shares	N/A	1,558,746,965	68.47%	43.64%
China National Materials Group Corporation Ltd. ²	Domestic Shares	N/A	1,558,746,965	68.47%	43.64%
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%
Forchn International ³	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%

Notes:

1. The above information is based on the data provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
2. Sinoma Group directly holds 1,494,416,985 Domestic Shares of the Company and holds 64,329,980 Domestic Shares of the Company through Tianshan Group (a subsidiary of Sinoma Group). As at 30 June 2017, Sinoma Group holds 50.95% equity interest in Tianshan Group.

On 8 March 2017, the Company was notified by CNBM Group that the registration regarding the transfer of Sinoma Group into CNBM Group at nil consideration with the relevant industry and commerce authorities has been completed. As at the date of this report, CNBM Group holds 1,494,416,985 Domestic Shares of the Company through Sinoma Group (a subsidiary of CNBM Group), and holds 64,329,980 Domestic Shares of the Company through Tianshan Group (a subsidiary of CNBM Group). As at the date of this report, CNBM Group holds 100% equity interest in Sinoma Group, and holds 50.95% equity interest in Tianshan Group through Sinoma Group.
3. On 20 February 2017, China Securities Depository and Clearing Corporation Limited issued the Confirmation Letter for Securities Transfer and Registration (《過戶登記確認書》) in respect of the transfer by Well Kent of 130,793,218 unlisted foreign shares of the Company in total held by it to Forchn International.

Save as disclosed above, to the knowledge of the Directors, Supervisors and the chief executive of the Company, as at 30 June 2017, 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 2017, 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 2017, the Group had 52,645 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. Sinoma E&E filed a civil action to the court in respect of its sales and purchase contract disputes with Shanghai Dingqi Trading Co., Ltd. ("Dingqi Trading"), 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 (collectively, the "Enforcees"). The appeal against the first instance judgement had been filed to the court, and the second instance judgement had been made by the court. Subsequently, the People's Court of Baoshan District, Shanghai accepted the case of bankruptcy liquidation of Dingqi Trading. Shanghai No.1 People's Intermediate Court accepted Sinoma E&E's enforcement application regarding the case, and ruled to conclude the enforcement proceedings due to that the Enforcees have no property available for the enforcement of the case, and Sinoma E&E did not provide any other clues regarding property available for enforcement, there is no condition for the enforcement to proceed. For details, please refer to the announcements of the Company published on 13 August 2013, 7 January 2015, 24 June 2015, 28 June 2016, 30 August 2016, 21 February 2017 and 3 July 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.
2. As Shanghai Fuyuan Metal Materials Co., Ltd. ("Shanghai Fuyuan"), Tang Heshui, Sun Biqing and Sun Shaomao did not perform the reconciliation agreement with Sinoma E&E which was confirmed in the letter of civil mediation (2014) Hai Min Chu Zi No. 06317, Sinoma E&E has applied to the court for enforcement in respect of the contract disputes with Shanghai Fuyuan, Tang Heshui, Sun Biqing, Sun Shaomao and Shanghai Haolong Metal Materials Co., Ltd., and such enforcement had been completed. For details, please refer to the announcements of the Company published on 8 January 2014, 2 April 2014, 17 March 2017 and 9 June 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 29 December 2016, Sinoma Cement reported to the Company that Sinoma Hanjiang, a non-wholly owned subsidiary of Sinoma Cement, received the Notice of Tax Affairs from the State Administration of Taxation Office of Hantai District, Hanzhong City (the "Notice"), the major contents of which are relating to the disqualification of Sinoma Hanjiang's entitlement to the policies regarding rebate and exemption of value-added tax for products and labour services involving comprehensive utilization of resources and requesting Sinoma Hanjiang to pay back the refunded value-added tax. On 18 April 2017, the Company was reported by Sinoma Cement that Sinoma Hanjiang has applied to the State Administration of Taxation Office of Hanzhong City for an administrative review regarding the aforesaid matter and has received the Decision on the Administrative Review (the "Decision") issued by the State Administration of Taxation Office of Hanzhong City to it. The Decision states that the Notice misapprehended the facts and the evidence was insufficient, and that the Notice is repealed. For details, please refer to the announcements of the Company published on 29 December 2016 and 18 April 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

OTHER IMPORTANT EVENTS

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

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

OTHER INFORMATION

On 8 February 2017, the Company entered into (i) a supplemental agreement to the financial services framework agreement with Sinoma Finance to terminate the financial services framework agreement entered into between the Company and Sinoma Finance on 21 August 2015, and (ii) a supplemental agreement to the mutual supply of services framework agreement, the mutual supply of products framework agreement and the property leasing framework agreement with the Parent to terminate the mutual supply of services framework agreement, the mutual supply of products framework agreement and the property leasing framework agreement entered into between the Company and the Parent on 21 August 2015. For details, please refer to the announcement of the Company published on 8 February 2017 and the circular of the Company published on 13 February 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

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

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

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

On 15 May 2017, Yecheng Tianshan, a subsidiary of the Company, and China Reform entered into finance lease arrangements, under which, Yecheng Tianshan agreed to sell certain assets to China Reform at an aggregate consideration of RMB500,000,000, and China Reform has agreed to leaseback such assets to Yecheng Tianshan for a period of 36 months. For details, please refer to the announcement of the Company published on 15 May 2017 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

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

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, the 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.

COMPLIANCE WITH “CORPORATE GOVERNANCE CODE”

During the six months ended 30 June 2017, the Company has fully complied with all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 to the Listing Rules.

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 to 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 2017.

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 Zhulin and Mr. LI Xinhua, respectively. On 16 August 2017, the Audit Committee reviewed the interim financial report of the Company for the six months ended 30 June 2017 and made a resolution on the same.

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 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 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current assets:			
Monetary funds	VI. 1	19,678,579,059.51	17,938,399,177.44
Financial assets at fair value through profit or loss	VI. 2	5,828,174.40	5,302,903.32
Bills receivable	VI. 3	4,787,270,330.73	5,220,075,723.28
Accounts receivable	VI. 4	8,738,889,408.67	8,260,671,460.88
Prepayments	VI. 5	4,683,942,150.57	3,559,649,291.84
Interest receivable		4,371,867.58	14,854,583.91
Dividends receivable	VI. 6	38,087,097.90	39,137,097.90
Other receivables	VI. 7	1,168,483,206.68	1,000,245,750.80
Inventories	VI. 8	8,425,747,227.74	8,007,242,535.61
Assets classified as held for sale	VI. 9	41,907,445.58	41,907,445.58
Non-current assets due within one year		803,592,463.02	190,206,006.45
Other current assets	VI. 10	523,192,121.47	531,777,191.13
Total current assets		48,899,890,553.85	44,809,469,168.14
Non-current assets:			
Available-for-sale financial assets	VI. 11	3,824,126,940.89	2,717,403,870.93
Held-to-maturity investments	VI. 12	-	-
Long-term receivables	VI. 13	1,531,320,366.23	1,409,191,067.46
Long-term equity investments	VI. 14	261,705,771.65	239,633,436.78
Investment properties	VI. 15	362,789,905.69	313,687,704.55
Fixed assets	VI. 16	42,355,645,722.21	42,718,647,177.17
Construction in progress	VI. 17	2,138,896,734.28	1,858,761,729.36
Construction materials		48,794,103.87	955,197.22
Disposal of fixed assets		4,298,827.70	2,760,748.79
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	VI. 18	4,793,667,170.07	4,818,842,003.52
Development expenditures	VI. 19	130,236,785.50	106,592,418.23
Goodwill	VI. 20	1,561,652,059.40	1,532,196,983.00
Long-term prepayments	VI. 21	723,085,840.80	684,990,733.48
Deferred income tax assets	VI. 22	1,062,879,115.21	1,040,769,848.40
Other non-current assets	VI. 23	166,546,501.20	168,872,509.93
Total non-current assets		58,965,645,844.70	57,613,305,428.82
Total assets		107,865,536,398.55	102,422,774,596.96

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Consolidated Balance Sheet

As at 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current liabilities:			
Short-term borrowings	VI. 24	11,297,900,474.72	11,344,696,714.05
Financial liabilities at fair value through profit or loss	VI. 25	382,380.92	2,562,715.43
Bills payable	VI. 26	4,035,540,142.44	4,264,101,092.89
Accounts payable	VI. 27	13,112,580,970.58	12,784,123,997.60
Accounts received in advance	VI. 28	12,464,456,684.08	10,315,118,567.63
Employee benefits payable	VI. 29	661,669,643.70	853,455,498.45
Taxes payable	VI. 30	691,144,691.22	617,184,805.79
Interest payable	VI. 31	329,433,012.79	247,432,291.27
Dividends payable	VI. 32	234,972,984.29	132,117,503.90
Other payables	VI. 33	1,792,462,039.49	1,306,600,086.88
Liabilities classified as held for sale		-	-
Non-current liabilities due within one year	VI. 34	4,398,595,461.43	3,798,417,393.78
Other current liabilities	VI. 35	1,952,145,824.35	6,563,564,483.01
Total current liabilities		50,971,284,310.01	52,229,375,150.68
Non-current liabilities:			
Long-term borrowings	VI. 36	8,390,488,561.91	6,711,162,503.78
Bonds payable	VI. 37	7,796,816,769.14	4,796,119,409.53
Including: preferred shares		-	-
Perpetual bond		-	-
Long-term payables	VI. 38	524,847,631.52	652,359,925.04
Long-term employee benefits payable	VI. 39	289,769,166.14	292,079,236.77
Special payables	VI. 40	318,935,603.15	313,168,444.12
Provisions	VI. 41	233,143,374.34	286,603,241.14
Deferred income	VI. 42	738,674,538.53	735,536,279.87
Deferred income tax liabilities	VI. 22	1,020,906,074.87	764,636,191.59
Other non-current liabilities		-	-
Total non-current liabilities		19,313,581,719.60	14,551,665,231.84
Total liabilities		70,284,866,029.61	66,781,040,382.52

Unaudited Consolidated Balance Sheet

As at 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (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	5,960,339,098.36	5,956,389,552.00
Less: treasury shares		-	-
Other comprehensive income	VI. 45	2,048,555,392.92	1,265,184,592.31
Special reserve	VI. 46	259,854,356.04	247,886,109.99
Surplus reserve	VI. 47	214,682,338.10	214,682,338.10
General risk provisions		-	-
Undistributed profits	VI. 48	5,874,196,337.19	5,386,133,582.18
Total equity attributable to the shareholders of parent company		17,929,091,522.61	16,641,740,174.58
Minority interests		19,651,578,846.33	18,999,994,039.86
Total shareholders' equity		37,580,670,368.94	35,641,734,214.44
Total liabilities and shareholders' equity		107,865,536,398.55	102,422,774,596.96

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Balance Sheet of the Company

As at 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current assets:			
Monetary funds		125,219,160.09	666,688,821.77
Financial assets at fair value through profit or loss		-	-
Bills receivable		-	-
Accounts receivable		-	-
Prepayments		600,000.00	600,000.00
Interest receivable		-	-
Dividends receivable		46,915,119.64	46,915,119.64
Other receivables	XV. 1	1,171,028,449.51	1,076,029,588.13
Inventories		-	-
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets		214,182.14	-
Total current assets		1,343,976,911.38	1,790,233,529.54
Non-current assets:			
Available-for-sale financial assets		2,986,207,755.92	2,059,118,960.88
Held-to-maturity investments		-	-
Long-term receivables		535,130,000.00	535,130,000.00
Long-term equity investments	XV. 2	15,489,485,300.42	15,453,366,938.10
Investment properties		-	-
Fixed assets		3,825,175.91	3,688,764.07
Construction in progress		-	-
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets		4,407,087.61	4,617,195.75
Development expenditures		-	-
Goodwill		-	-
Long-term prepayments		-	-
Deferred income tax assets		-	-
Other non-current assets		-	-
Total non-current assets		19,019,055,319.86	18,055,921,858.80
Total assets		20,363,032,231.24	19,846,155,388.34

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Balance Sheet of the Company

As at 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current liabilities:			
Short-term borrowings		100,000,000.00	145,000,000.00
Financial liabilities at fair value through profit or loss		-	-
Bills payable		-	-
Accounts payable		13,458.95	9,134.95
Accounts received in advance		-	-
Employee benefits payable		-	2,857,000.00
Taxes payable		144,242.96	1,369,893.71
Interest payable		141,687,500.00	123,586,666.65
Dividends payable		120,266,503.15	13,117,309.22
Other payables		43,919,079.28	21,325,849.37
Liabilities classified as held for sale		-	-
Non-current liabilities due within one year		-	-
Other current liabilities		-	3,500,000,000.00
Total current liabilities		406,030,784.34	3,807,265,853.90
Non-current liabilities:			
Long-term borrowings		280,000,000.00	280,000,000.00
Bonds payable		5,500,000,000.00	2,500,000,000.00
Including: preferred shares		-	-
Perpetual bond		-	-
Long-term payables		-	-
Long-term employee benefits payable		29,207,923.76	31,135,000.00
Special payables		-	-
Provisions		-	-
Deferred income		-	-
Deferred income tax liabilities		647,595,437.57	415,823,238.82
Other non-current liabilities		-	-
Total non-current liabilities		6,456,803,361.33	3,226,958,238.82
Total liabilities		6,862,834,145.67	7,034,224,092.72

Unaudited Balance Sheet of the Company

As at 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (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		6,868,168,164.66	6,868,168,164.66
Less: treasury shares		-	-
Other comprehensive income		1,927,405,312.78	1,232,088,716.49
Special reserve		-	-
Surplus reserve		207,393,572.45	207,393,572.45
Undistributed profits		925,767,035.68	932,816,842.02
Total shareholders' equity		13,500,198,085.57	12,811,931,295.62
Total liabilities and shareholders' equity		20,363,032,231.24	19,846,155,388.34

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Unaudited Consolidated Income Statement

For the six months ended 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
I. Total operating revenue		25,105,811,439.50	21,751,267,943.28
Including: operating income	VI. 49	25,105,811,439.50	21,751,267,943.28
II. Total operating cost		23,661,180,855.07	21,389,549,357.68
Including: operating cost	VI. 49	19,306,221,809.68	17,523,672,514.23
Taxes and surcharges	VI. 50	277,738,005.87	142,462,244.86
Selling expenses	VI. 51	964,609,740.70	922,633,718.98
Administrative expenses	VI. 52	2,141,953,789.89	1,861,264,422.12
Financial expenses	VI. 53	877,062,771.82	781,741,853.24
Asset impairment losses	VI. 54	93,594,737.11	157,774,604.25
Add: income from changes in fair value (losses to be listed with "-")	VI. 55	3,229,005.54	-9,199,940.32
Investment income (losses to be listed with "-") Including: income from investment in associates and joint ventures	VI. 56	14,772,955.82	34,037,274.24
Exchange income (loss to be listed with "-")		-	-
Other income	VI. 57	209,171,165.00	-
III. Operating profit (loss to be listed with "-")		1,671,803,710.79	386,555,919.52
Add: non-operating income	VI. 58	83,277,525.26	311,550,804.81
Including: gain from disposal of non-current assets		11,250,425.86	51,274,971.69
Less: non-operating expenses	VI. 59	76,299,868.52	32,825,302.80
Including: loss from disposal of non-current assets		60,273,294.56	13,989,729.59
IV. Total profit (total loss to be listed with "-")		1,678,781,367.53	665,281,421.53
Less: income tax expenses	VI. 60	410,171,632.50	237,147,747.09
V. Net profit (net loss to be listed with "-")		1,268,609,735.03	428,133,674.44
Net profit attributable to shareholders of the parent company		596,206,675.01	307,521,904.27
Minority interests		672,403,060.02	120,611,770.17

Unaudited Consolidated Income Statement

For the six months ended 30 June 2017

Item	Note	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
VI. Net amount of other comprehensive income	VI. 61	921,602,252.95	-400,645,965.70
Other comprehensive income attributable to shareholders of parent company (net of tax)		783,370,800.61	-327,378,998.35
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		-408,825.23	-749,065.08
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan		-408,825.23	-749,065.08
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		783,779,625.84	-326,629,933.27
1. Shares of other comprehensive income that may be subsequently reclassified to profit or loss of the investee entities under the equity method		124,621.07	-2,220,795.84
2. Gains and losses arising from changes in fair value of available-for-sale financial assets		761,563,618.05	-339,192,875.33
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		22,091,386.72	14,783,264.91
6. Others		-	472.99
Other comprehensive income attributable to minority interests (net of tax)		138,231,452.34	-73,266,967.35
VII. Total comprehensive income		2,190,211,987.98	27,487,708.74
Total comprehensive income attributable to the shareholders of parent company		1,379,577,475.62	-19,857,094.08
Total comprehensive income attributable to minority interests		810,634,512.36	47,344,802.82
VIII. Earnings per share:			
(I) Basic earnings per share		0.167	0.086
(II) Diluted earnings per share		0.167	0.086

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Income Statement of the Company

For the six months ended 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
I. Operating revenue	XV. 3	19,952,834.62	37,984,740.33
Less: operating costs	XV. 3	-	-
Taxes and surcharges		1,928,636.77	1,239,856.53
Selling expenses		-	-
Administrative expenses		43,467,726.31	21,273,141.12
Financial expenses		152,365,436.43	167,689,409.67
Asset impairment losses		-	-
Add: income from changes in fair value (losses to be listed with "-")		-	-
Investment income (losses to be listed with "-") Including: income from investment in associates and joint ventures	XV. 4	277,903,078.55	950,370,594.49
Other income		-	-
II. Operating profit (loss to be listed with "-")		100,094,113.66	798,152,927.50
Add: non-operating income		-	71,154.01
Including: gain from disposal of non-current assets		-	-
Less: non-operating expenses		-	2,000,000.00
Including: loss from disposal of non-current assets		-	-
III. Total profit (total loss to be listed with "-")		100,094,113.66	796,224,081.51
Less: income tax expenses		-	-
IV. Net profit (net loss to be listed with "-")		100,094,113.66	796,224,081.51

Unaudited Income Statement of the Company

For the six months ended 30 June 2017

Item	Note	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
V. Net amount of other comprehensive income		695,316,596.29	-283,284,706.18
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		-	-208,000.00
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan		-	-208,000.00
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		695,316,596.29	-283,076,706.18
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		695,316,596.29	-283,076,706.18
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		795,410,709.95	512,939,375.33

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		23,051,971,368.12	19,328,117,891.54
Refund of taxes and surcharges		479,376,869.47	528,934,575.85
Cash received relating to other operating activities		1,385,959,148.71	1,182,572,696.93
Subtotal of cash inflows from operating activities		24,917,307,386.30	21,039,625,164.32
Cash paid for goods and services		15,086,194,051.87	13,226,171,588.52
Cash paid to and on behalf of employees		2,957,715,823.82	2,648,503,843.56
Cash paid for taxes and surcharges		1,839,247,838.34	1,650,458,598.20
Cash paid relating to other operating activities		2,198,992,502.49	1,461,649,200.10
Subtotal of cash outflows from operating activities		22,082,150,216.52	18,986,783,230.38
Net cash flows from operating activities		2,835,157,169.78	2,052,841,933.94
II. Cash flows from investing activities:			
Cash received from disposal of investments		109,519,003.18	73,836,386.50
Cash received from returns on investments		6,915,313.54	73,202,875.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		37,657,565.33	34,584,294.15
Net cash received from disposal of subsidiaries and other business entities		-	120,162.81
Cash received relating to other investing activities		12,758,968.71	6,491,917.34
Subtotal of cash inflows from investing activities		166,850,850.76	188,235,636.34
Cash paid to acquire fixed assets, intangible assets and other long-term assets		959,987,821.43	789,254,713.58
Cash paid for investments		134,586,323.03	293,611,220.71
Net cash paid for acquisitions of subsidiaries and other business entities		-1,268,500.46	-
Cash paid relating to other investing activities		2,473,330.75	960,000.00
Subtotal of cash outflows from investing activities		1,095,778,974.75	1,083,825,934.29
Net cash flows from investing activities		-928,928,123.99	-895,590,297.95
III. Cash flows from financing activities:			
Cash received from capital contributions		49,354,405.00	1,860,644,961.45
Including: cash received by subsidiaries' from capital contributions by minority interests		49,354,405.00	1,500,000.00
Cash received from borrowings		13,838,084,739.39	8,738,931,944.17
Cash received from issuing bonds		-	799,400,000.00
Cash received relating to other financing activities		2,493,995,816.41	6,935,668,525.35
Subtotal of cash inflows from financing activities		16,381,434,960.80	18,334,645,430.97
Cash repayments of borrowings		8,622,494,395.52	10,519,375,058.71
Cash payments for interest expenses and distribution of dividends or profits		867,978,209.87	984,455,797.91
Including: dividends and profits paid to minority interests by subsidiaries		198,387,588.72	217,753,624.39
Cash paid relating to other financing activities		7,272,114,321.89	4,541,456,009.70
Subtotal of cash outflows from financing activities		16,762,586,927.28	16,045,286,866.32
Net cash flows from financing activities		-381,151,966.48	2,289,358,564.65
IV. Effect of changes in exchange rate on cash and cash equivalents			
		-111,698,438.99	75,313,636.09
V. Net increase in cash and cash equivalents			
Add: cash and cash equivalents at the beginning of the period		1,413,378,640.32	3,521,923,836.73
		15,503,449,822.74	12,951,276,987.11
VI. Cash and cash equivalents at the end of the period			
	VI. 62	16,916,828,463.06	16,473,200,823.84

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Statement of Cash Flows of the Company

For the six months ended 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Note	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
I. Cash flows 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		8,764,497.98	3,255,793.03
Subtotal of cash inflows from operating activities		8,764,497.98	3,255,793.03
Cash paid for goods and services		-	-
Cash paid to and on behalf of employees		17,202,982.40	19,237,754.57
Cash paid for taxes and surcharges		4,421,261.59	9,849,372.37
Cash paid relating to other operating activities		15,287,032.36	514,875,293.48
Subtotal of cash outflows from operating activities		36,911,276.35	543,962,420.42
Net cash flows from operating activities		-28,146,778.37	-540,706,627.39
II. Cash flows from investing activities:			
Cash received from disposal of investments		-	-
Cash received from returns on investments		241,784,716.23	163,497,276.33
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		425,827,376.22	1,114,793,582.12
Subtotal of cash inflows from investing activities		667,612,092.45	1,278,290,858.45
Cash paid to acquire fixed assets, intangible assets and other long-term assets		525,682.00	493,798.00
Cash paid for investments		-	96,950,000.00
Net cash paid for acquisitions of subsidiaries and other business entities		-	-
Cash paid relating to other investing activities		492,000,000.00	448,000,000.00
Subtotal of cash outflows from investing activities		492,525,682.00	545,443,798.00
Net cash flows from investing activities		175,086,410.45	732,847,060.45
III. Cash flows from financing activities:			
Cash received from capital contributions		-	-
Cash received from borrowings		3,585,600,000.00	92,000,000.00
Cash received from issuing bonds		-	-
Cash received relating to other financing activities		1,500,000,000.00	3,500,005,103.68
Subtotal of cash inflows from financing activities		5,085,600,000.00	3,592,005,103.68
Cash repayments of borrowings		645,000,000.00	-
Cash payments for interest expenses and distribution of dividends or profits		120,759,293.76	43,169,464.44
Cash paid relating to other financing activities		5,008,250,000.00	1,250,000,000.00
Subtotal of cash outflows from financing activities		5,774,009,293.76	1,293,169,464.44
Net cash flows from financing activities		-688,409,293.76	2,298,835,639.24
IV. Effect of changes in exchange rate on cash and cash equivalents		-	-
V. Net increase in cash and cash equivalents		-541,469,661.68	2,490,976,072.30
Add: cash and cash equivalents at the beginning of the period		666,688,821.77	303,998,811.14
VI. Cash and cash equivalents at the end of the period		125,219,160.09	2,794,974,883.44

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	Equity attributable to shareholders of the parent company										Minority interests	Total shareholders' equity		
	Share capital	Preferred shares	Perpetual bond	Other equity/instruments	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve			General risk provisions	Undistributed profits
I. At 31 December 2016 (Audited)	3,571,464,000.00	-	-	-	-	5,956,389,552.00	-	1,265,184,592.31	247,886,109.99	214,682,338.10	-	5,386,133,582.18	18,999,994,039.86	35,641,734,214.44
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period accounting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. At 1 January 2017 (Audited)	3,571,464,000.00	-	-	-	-	5,956,389,552.00	-	1,265,184,592.31	247,886,109.99	214,682,338.10	-	5,386,133,582.18	18,999,994,039.86	35,641,734,214.44
III. Increase/decrease during the period (decrease to be listed with "-")	-	-	-	-	-	3,249,546.36	-	783,270,800.61	11,968,246.05	-	-	488,062,755.01	651,584,806.47	1,938,936,154.50
(I) Total comprehensive income	-	-	-	-	-	-	-	783,270,800.61	-	-	-	596,206,675.01	810,634,512.36	2,190,211,987.98
(II) Capital contribution and withdrawal by shareholders	-	-	-	-	-	3,249,546.36	-	-	-	-	-	-	73,085,460.58	77,035,006.94
1.Shareholder's ordinary share	-	-	-	-	-	3,700,776.46	-	-	-	-	-	-	73,085,451.41	76,786,227.87
2.Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.Share-based payment	-	-	-	-	-	248,769.90	-	-	-	-	-	-	9.17	248,779.07
4.Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-108,143,920.00	-242,008,052.88	-350,151,972.88
1.Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Appropriation of general risk provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.Distribution to Shareholders	-	-	-	-	-	-	-	-	-	-	-	-107,143,920.00	-242,008,052.88	-349,151,972.88
4.Others	-	-	-	-	-	-	-	-	-	-	-	-1,000,000.00	-	-1,000,000.00
(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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	11,968,246.05	-	-	-	9,872,886.41	21,841,132.46
1.Appropriation in current period	-	-	-	-	-	-	-	-	45,447,135.08	-	-	-	35,391,199.89	80,838,334.97
2.Amount used in current period	-	-	-	-	-	-	-	-	-33,478,889.03	-	-	-	-25,518,313.48	-58,997,202.51
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. At 30 June 2017 (Unaudited)	3,571,464,000.00	-	-	-	-	5,960,339,098.36	-	2,048,555,392.92	259,854,356.04	214,682,338.10	-	5,874,196,337.19	19,651,578,846.33	37,580,670,368.94

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2017

Unit: RMB

Company Name: China National Materials Company Limited

For the year ended 31 December 2016

Item	Equity attributable to shareholders of the parent company										Minority interests	Total shareholders' equity		
	Share capital	Preferred shares	Perpetual bond	Other equity instruments	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve			General risk provisions	Undistributed profits
I. At 31 December 2015 (Audited)	3,571,664,000.00	-	-	-	-	4,689,739,636.75	-	1,365,139,143.54	2,225,546,698.14	155,391,961.13	-	4,988,475,948.37	18,380,403,800.14	33,357,161,188.07
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period accounting errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business contribution under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. At 1 January 2016 (Audited)	3,571,664,000.00	-	-	-	-	4,689,739,636.75	-	1,365,139,143.54	2,225,546,698.14	155,391,961.13	-	4,988,475,948.37	18,380,403,800.14	33,357,161,188.07
III. Increase/decrease during the year (decrease to be listed with "-")														
(I) Total comprehensive income	-	-	-	-	-	1,262,649,915.25	-	-99,954,551.23	25,339,411.85	79,290,376.97	-	397,657,633.81	619,590,239.72	2,284,573,026.37
(II) Capital contribution and withdraw by shareholders	-	-	-	-	-	-	-	-99,954,551.23	-	-	-	585,441,930.78	453,778,867.00	939,266,246.55
1.Shareholders' ordinary share	-	-	-	-	-	1,262,649,915.25	-	-	-	-	-	-	645,606,449.54	1,908,256,364.79
2.Capital contribution by holders of other equity instruments	-	-	-	-	-	29,544,300.00	-	-	-	-	-	-	37,137,639.62	66,681,939.62
3.Share-based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	1,233,105,615.25	-	-	-	-	-	-	608,468,809.92	1,841,574,425.17
1.Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-187,794,296.97	-500,713,792.87	-609,207,712.87
2.Appropriation of general risk provisions	-	-	-	-	-	-	-	-	-	-	-	-79,290,376.97	-	-
3.Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-107,143,920.00	-500,713,792.87	-607,857,712.87
4.Others	-	-	-	-	-	-	-	-	-	-	-	-1,350,000.00	-	-1,350,000.00
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-8,449,986.00	-8,449,986.00
1.Capital reserves transfer to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Surplus reserves transfer to share	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.Surplus reserves to recover loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.Others	-	-	-	-	-	-	-	-	-	-	-	-	-8,449,986.00	-8,449,986.00
(V) Special reserve	-	-	-	-	-	-	-	-	25,339,411.85	-	-	-	29,362,345.84	54,701,757.69
1.Appropriation in the year	-	-	-	-	-	-	-	-	95,445,433.44	-	-	-	74,369,858.80	169,815,312.24
2.Amount used in the year	-	-	-	-	-	-	-	-	-70,106,041.59	-	-	-	-46,107,512.96	-115,113,554.55
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	6,356.21	6,356.21
IV. At 31 December 2016 (Audited)	3,571,664,000.00	-	-	-	-	5,956,389,552.00	-	1,265,184,592.31	2,471,886,109.99	214,682,338.10	-	5,386,133,582.18	18,999,954,039.86	35,641,734,214.44

Legal representative:

LIU Zhijiang

Chief Financial Officer:

YU Kaijun

Head of accounting department:

QU Xiaoli

Unaudited Statement of Changes in Shareholders' Equity of the Company

For the six months ended 30 June 2017

Unit: RMB

Company Name: China National Materials Company Limited

Item	For the six months ended 30 June 2017										
	Share capital	Preferred shares	Other equity instruments	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. At 31 December 2016 (Audited)	3,571,464,000.00	-	-	-	6,868,168,164.66	-	1,232,088,716.49	-	207,393,572.45	932,816,842.02	12,811,931,295.62
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period accounting errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. At 1 January 2017 (Audited)	3,571,464,000.00	-	-	-	6,868,168,164.66	-	1,232,088,716.49	-	207,393,572.45	932,816,842.02	12,811,931,295.62
III. Increase/decrease during the period (decrease to be listed with "-")											
(I) Total comprehensive income	-	-	-	-	-	-	695,316,596.29	-	-	-7,049,806.34	688,266,789.95
(II) Capital contribution and withdrawal by shareholders	-	-	-	-	-	-	695,316,596.29	-	-	100,094,113.66	795,410,709.95
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 2017 (Unaudited)	3,571,464,000.00	-	-	-	6,868,168,164.66	-	1,927,405,312.78	-	207,393,572.45	925,767,925.68	13,500,198,085.57

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Unaudited Statement of Changes in Shareholders' Equity of the Company

For the six months ended 30 June 2017

Company Name: China National Materials Company Limited

Unit: RMB

Item	For the year ended 31 December 2016										
	Share capital	Preferred shares	Other equity instruments Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. At 31 December 2015 (Audited)	3,571,464,000.00	-	-	-	6,846,568,164.66	-	1,313,060,431.58	-	128,105,195.48	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	-	128,105,195.48	326,347,369.25	12,185,543,160.97
III. Increase/decrease during the year (decrease to be listed with "-")											
(I) Total comprehensive income	-	-	-	-	21,600,000.00	-	-80,971,715.09	-	79,290,376.97	606,469,472.77	626,388,134.65
(II) Capital contribution and withdraw by shareholders	-	-	-	-	21,600,000.00	-	-80,971,715.09	-	-	792,903,769.74	711,932,054.65
1. Shareholders' ordinary share	-	-	-	-	21,600,000.00	-	-	-	-	-	21,600,000.00
2. Capital contribution by holders of other equity instruments	-	-	-	-	21,600,000.00	-	-	-	-	-	21,600,000.00
3. Share-based payment	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	79,290,376.97	-186,434,296.97	-107,143,920.00
2. Distribution to the shareholders	-	-	-	-	-	-	-	-	79,290,376.97	-79,290,376.97	-
3. Others	-	-	-	-	-	-	-	-	-	-107,143,920.00	-107,143,920.00
(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	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the year	-	-	-	-	-	-	-	-	-	-	-
2. Amount used in the year	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. At 31 December 2016 (Audited)	3,571,464,000.00	-	-	-	6,868,168,164.66	-	1,232,088,716.49	-	207,395,572.45	932,816,942.02	12,811,931,295.62

Legal representative:
LIU Zhijiang

Chief Financial Officer:
YU Kaijun

Head of accounting department:
QU Xiaoli

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

(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 RMB2,500,000,000.00 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%

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 RMB3,571,464,000.00 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.

The Company obtained the changed Business License (the unified social credit code is No. 91110000100006100T) issued by the Beijing Administration for Industry & Commerce on 6 December 2016, with RMB3,571,464,000.00 of registered capital. The renewed address is Floor 8, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing.

As at 30 June 2017, 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%
Forchn International Co., Limited	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%

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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 Statedowned 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: contracting overseas projects suitable for the Group's capacity, scale and performance, dispatching abroad workers for implementation of overseas construction projects; research, development, production and sales of inorganic non-metal materials; design, production (with production activities restricted to be carried out in other towns and cities than local place) 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. (The enterprise shall independently choose the business items and carry out the business activities in accordance with the law; and shall carry out business activities upon approval of applicable departments with regard to the items operated upon approval according to the law; the enterprise may not engage in any business activities prohibited and restricted by the industrial policies of this city.)

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 year and contains 11 subsidiaries including Sinoma International, Sinoma Science & Technology, Tianshan Cement, Ningxia Building Materials and Qilianshan Holdings. For details, please see "VIII. 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, Accounting Standards for Business Enterprises (ASBE) issued by the Ministry of Finance of the PRC and other related regulations, Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No. 15 – General Provisions on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements in Rules Governing the Listing of Securities issued by Hong Kong Stock Exchange and Companies Ordinance of Hong Kong, and accounting policies and accounting estimates as set out in "IV. Significant accounting policies and accounting estimates" in the Notes.

(2) Going concern

The Group has evaluated the going concern ability within 12 months since 30 June 2017 and has not found any event and condition causing substantial doubt about the going concern ability. These financial statements, therefore, are prepared on a going concern basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Declaration on Compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Business Cycle

The Group takes 12 months as a business cycle.

4. Recording currency

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

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 2017

(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. Classification of joint arrangements and accounting treatment method for joint operations

The Group's joint arrangement includes joint operations and joint venture entities. For joint operations, the Group, as the joint operator, recognizes assets and liabilities solely held and owed by the Group, assets and liabilities jointly owned proportionally, and income and expenses solely or proportionally based on agreements. Only profit or loss attributable to other joint operators shall be recognized in transactions where assets purchase and sale occurred with joint operator but not classified as trading transactions.

8. 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.

9. 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Foreign currency transactions and translation 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.

10. 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).

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. 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 availablefor- 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. 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 income 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.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**11. 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.

The long-term receivables of the Group are drawn for bad-debt provision by the portfolio method, and the portfolio falls into long-term receivables within the credit period and overdue long-term receivables. The long-term receivables within the credit period shall not be withdrawn of bad-debt provision, and the overdue long-term receivables shall be transferred to accounts receivable at the moment when it is due and the withdrawal of bad-debt provision shall be in the drawing proportion based on the analysis method of overdue aging and aging of accounts receivable.

(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 RMB10,000,000 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	
Account age portfolio	Drawing of bad debt provision by aging analysis

- 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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. 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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**11. 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.

12. 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.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. 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.

13. Assets classified as held for sale

The Group categorizes non-current assets or disposal group meeting following conditions into assets held for sale: (I) the non-current assets or disposal group can be immediately sold only pursuant to general terms for selling such assets or disposal group; (II) the Company has made a resolution upon handling of the non-current assets or disposal group and had obtained appropriate approval; (III) the Company has signed an irrevocable transfer agreement with the transferee; (IV) the transfer will be completed within one year.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. 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 income 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)

14. 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.

15. 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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**15. 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.

16. 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)

16. 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.

17. 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. 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.

19. 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)

19. 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.

20. 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. 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.

22. 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)

22. 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 income 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, postemployment benefits and termination benefits.

23. 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. 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)

25. Government grants

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

Government grants in the form of monetary assets shall be measured based on the actually received amounts; grants allocated according to fixed quota standards shall be measured based on the receivable amounts; government grants in the grants 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 grants 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 grants refer to those other than asset-related government grants. If no assistance object is specified in the government documents, the Group shall determine based on the above principles.

Asset-related government grants 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 grants 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.

26. 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 income (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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. 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 income by using the straight-line method within each period of the lease term.

28. About significant accounting estimates

During the preparation of financial statements, according to previous experiences and other factors, including reasonable prediction on future event, the Group's management personnel need to perform some estimations and assumptions, which may have an impact on the application of accounting policies and the amount of assets, liabilities, revenues and expenses. The actual conditions may be different from these estimations. The Group's management personnel shall perform continuous evaluation on judgment of critical assumptions and uncertainties related to estimations. The impact of accounting estimate changes shall be confirmed in current change period and during the future period.

(1) *Impairment of receivables*

Based on the current market conditions, the Group made an estimation on the aging of accounts receivable, financial situation of customers, and the historical experiences of guarantees (if any) provided by customers. The Group has conducted reassessment regularly to find whether the bad-debt provision for accounts receivable is sufficient. If all assumptions and estimation in the process of reviewing have changed, the change will affect bad-debt provision of accounts receivable in the changing process of assumptions.

(2) *Impairment provision for inventories*

The Group shall estimate the net realizable value of inventory regularly and confirm the loss on inventory valuation according to the difference between inventory cost and net realizable value.

The Group can estimate the net realizable value of inventory of raw materials, products and goods based on the amount obtained after the estimated selling price of similar goods is deducted by the costs, selling expenses and relevant taxes to be paid during completion. When the actual selling price or costs are different from the estimated ones, the management personnel shall perform corresponding adjustment on net realizable value. Therefore, the estimated results based on existing experience may be different from later actual results, and the book value of inventory in the balance sheet shall be adjusted. The amount for provision for decline in inventory may vary with the above-mentioned causes. The adjustment of inventory falling price reserves will affect the profits and losses within the estimated current period of change.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. About significant accounting estimates (Continued)

(3) Provision for impairment of long-term assets

When the Group carries out an impairment test on goodwill, fixed assets, intangible assets and other long-term assets, it shall calculate the recoverable amount of the portfolio of asset groups, asset group or assets (hereinafter collectively referred to as assets), and the present value of the assets' expected future cash flow shall be calculated using basic assumptions and the accounting estimation. When estimating the present value of assets' expected future cash flow, it mainly involves in estimates of assets' expected future cash flow, service life and discount rate. Therefore, the estimated results based on existing experience may be different from later actual results, and this difference may affect the profits and losses of current period of change.

(4) Estimates of deferred income tax assets

For the estimation on deferred tax assets, it is necessary to estimate on the taxable income and applicable tax rates in each future year. The achievement of deferred tax assets depends on whether the Company will obtain enough taxable income in the future or not. The withdrawing time of temporary difference and the change of future tax rate may also affect the income tax expense (revenue) and the balance of deferred income taxes. The change of above-mentioned estimation may affect the deferred income tax expenses of the changing period.

(5) Estimates of construction contract

During the execution of the construction contract, the management of the Group will regularly review the expected contract revenue, expected contract cost, completion progress and cost incurred by the change in the contract. If there is a situation that may result in a change in the contract revenue, contract cost or completion progress, it will affect the expected contract revenue and the corresponding expected contract cost, which will be reflected in the income statement of current period of change.

(6) Taxes

The Group is required to pay various taxes for its business. However, in normal operating activities, many transactions and events are subject to uncertainty in the final tax treatment. Therefore, it is required to make an estimate of tax provision. This estimate may differ from the final tax settlement. If there is a difference between finally recognized outcome for these taxes and initially received amount, it will have an impact on the above-mentioned taxes drawn in the final recognition period.

29. Change in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

Contents and reasons for changes in accounting policies

"Accounting Standards for Business Enterprises No.16 – Government grants" (CK [2017] No.15) issued by MOF as at 10 May 2017

Notes

Regarding the government grants that existed as at 1 January 2017, the Company applied prospectively; regarding the government grants that were newly granted between 1 January 2017 and the date of adoption of this policy, the Company adjusted according to this standard, the accumulated effect to the financial statement from January to June 2017: "other income" increased by RMB209.17 million; "non-operating income" decreased by RMB209.17 million

(2) Changes in significant accounting estimates

No change in significant accounting estimates happens to the Group during the Reporting Period.

V. TAXES**1. Main taxes and tax rates**

Category	Tax Basis	Statutory Rate
Value-added tax (VAT)	Income from goods sales	3%, 5%, 6%, 7%, 11%, 13%, 17%, 19%(overseas)
Business tax	Taxable income of the business tax before replacing the business tax with value-added tax	3%, 5%
City maintenance and construction tax	Taxable amount of turnover tax	1%, 5%, 7%
Educational surcharge	Taxable amount of turnover tax	2%, 3%
Mineral resources taxes	The amount of limestone and the like consumed in production (applicable prior to 1 July 2016)	RMB0.5-1/ton, RMB2/ton, RMB3/ton
	Limestone sales (implemented as at 1 July 2016)	1%-6%
Housing property tax	70% or 75% of original value of housing property; the rental income	1.2%; 12%
Land use tax	Land area	RMB8/m ² , RMB14/m ²
Corporate income tax in China	Taxable income	25%
Income tax in Germany	Taxable income	15.50%, 28%, 30.89%
Profit tax in Hong Kong	Taxable income	16.50%
Income tax in Malaysia	Taxable income	24%
Income tax in India	Taxable income	32.45%
State income tax in North America	Taxable income	8.84%
Federal income tax in North America	The total amount of taxable profits is paid on a seven-grade progressive basis	Maximum tax rate of 35%

Note 1: 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	The preferential income tax rate of 15% shall be implemented in 2017.
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	
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	
Sinoma (Suzhou) Construction Co., Ltd.	Third-level	
Tianjin Cement Industry Design & Research Institute Co., Ltd.	Third-level	
Sinoma International Environmental Engineering (Beijing) Co., Ltd.	Third-level	
Anhui Jieyuan Environmental Protection Technology Co., Ltd.	Third-level	
Beijing Composite Materials Co., Ltd.	Third-level	
Sinoma Science & Technology (Suzhou) Co., Ltd.	Third-level	
Suzhou Sinoma Design & Research Institute of Non-metallic Minerals Industry Co., Ltd.	Third-level	
Sinoma Science & Technology (Chengdu) Co., Ltd.	Third-level	
Sinoma Wind Power Blade Co., Ltd.	Third-level	
Taishan Fiberglass Inc.	Third-level	
Shandong Industrial Ceramics Research & Design Institute Co., Ltd.	Third-level	
Beijing Sinoma Synthetic Crystals Co., Ltd.	Third-level	
Sinoma Chengdu Energy Technology Co., Ltd.	Third-level	
Sinoma Jiangxi Porcelain Electric Co., Ltd.	Third-level	
Sinoma Advanced Nitride Ceramics Co., Ltd.	Third-level	
Sinoma (Tianjin) Powder Technology Machinery Co., Ltd.	Fourth-level	
Sinoma (Tianjin) Control Engineering Co., Ltd.	Fourth-level	
Xuzhou Sinoma Technology Heavy Machine 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	
Sinoma Tangshan Heavy Machinery Co., Ltd.	Fourth-level	
Sinoma (Jiuquan) Wind Power Blade Co., Ltd.	Fourth-level	
Sinoma (Pingxiang) Wind Power Blade Co., Ltd.	Fourth-level	
Sinoma (Funing) Wind Power Blade Co., Ltd.	Fourth-level	
Taishan Fiberglass Zoucheng Co., Ltd.	Fourth-level	
Jiangxi Sinoma New Solar Materials Co., Ltd.	Fourth-level	

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, have been confirmed by competent tax authorities that the corporate income tax shall still be calculated and paid at the preferential rate of 15% in 2017.

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V. TAXES (CONTINUED)

2. Tax preference (Continued)

(1) Corporate income tax (Continued)

2) (Continued)

See the table below for details:

Name	Level	Preferential Policy
Xinjiang Hejing Tianshan Cement Co., Ltd.	Third-level	
Aksu Tianshan Duolang 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	
Xinjiang Tunhe Cement Co., Ltd.	Third-level	
Xinjiang Midong Tianshan Cement Co., Ltd.	Third-level	
Ruoqiang Tianshan Cement Co., Ltd.	Third-level	
Yecheng Tianshan Cement Co., Ltd.	Third-level	
Kashgar Tianshan Cement Co., Ltd.	Third-level	
Hami Tianshan Cement Co., Ltd.	Third-level	
Ningxia Saima Cement Co., Ltd.	Third-level	
Ningxia Qingtongxia Cement Co., Ltd.	Third-level	
Ningxia Zhongning Saima Cement Co., Ltd.	Third-level	
Ningxia Shizuishan Saima Cement Co., Ltd.	Third-level	
Guyuan Liupanshan Cement Co., Ltd.	Third-level	
Sinoma (Tianshui) Cement Co., Ltd.	Third-level	
Sinoma (Gansu) Cement Co., Ltd.	Third-level	
Sinoma (Hanjiang) Cement Co., Ltd.	Third-level	
Burqin Tianshan Cement Co., Ltd.	Fourth-level	
Shawan Tianshan Cement Co., Ltd.	Fourth-level	
Yongdeng Qilianshan Cement Co., Ltd.	Fourth-level	
Gangu Qilianshan Cement Co., Ltd.	Fourth-level	
Pingliang Qilianshan Cement Co., Ltd.	Fourth-level	
Chengxian Qilianshan Cement Co., Ltd.	Fourth-level	
Zhangxian Qilianshan Cement Co., Ltd.	Fourth-level	
Gulang Qilianshan Cement Co., Ltd.	Fourth-level	
Xiahe Qilianshan Anduo Cement Co., Ltd.	Fourth-level	
Qinghai Qilianshan Cement Co., Ltd.	Fourth-level	
Gansu Zhangye Julong Building Material Co., Ltd.	Fourth-level	
Longnan Qilianshan Cement Co., Ltd.	Fourth-level	
Wenxian Qilianshan Cement Co., Ltd.	Fourth-level	
Jiugang (Group) Hongda Building Materials Co., Ltd.	Fourth-level	
Minhe Qilianshan Cement Co., Ltd.	Fifth-level	

The preferential income tax rate of 15% shall be implemented in 2017.

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 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.
- 4) 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 Luopu Tianshan Cement Co., Ltd. and Kezhou Tianshan Cement Co., Ltd., and fourth-level companies of the Group including Huocheng Tianshan Concrete Co., Ltd. can enjoy the preferential corporate income tax policy of "2-year exemption and 3-year half payment", and are exempt from the local portion of corporate income tax from the third year to fifth year of enjoying the preferential corporate income tax policy of "2-year exemption and 3-year half payment".
- 5) According to the Notice on Issues Concerning the Implementation of Catalogue for Enterprise Income Tax Preferences for Special Equipment for Environmental Protection, Catalogue for Enterprise Income Tax Preferences for Special Equipment for Water and Energy Conservation, and Catalogue for Enterprise Income Tax Preferences for Special Equipment for Production Safety (CS [2008] No. 48) issued by the Ministry of Finance and the State Administration of Taxation, Notice on Publishing the Catalogue for Enterprise Income Tax Preferences for Special Equipment for Environmental Protection (Version 2008) and Catalogue for Enterprise Income Tax Preferences for Special Equipment for Water and Energy Conservation (Version 2008) (CS [2008] No. 115) issued by Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, Notice on Publishing the Catalogue for Enterprise Income Tax Preferences for Special Equipment for Safety Production (Version 2008) (CS [2008] No. 118) issued by Ministry of Finance, State Administration of Taxation and State Administration of Work Safety, third-level companies of the Group including Kezhou Tianshan Cement Co., Ltd. and Xinjiang Midong Tianshan Cement Co., Ltd. can enjoy the preferential policies for the amount of income tax credits of special equipment.
- 6) 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'an Meng Taixin Mining Co., Ltd., a fifth-level company of the Group, meets the conditions of small meagerprofit enterprises and enjoys the preferential tax rate of 20%.

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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 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 (a third-level company of the Group) to the energy-consumption enterprises shall be exempt from VAT temporarily.
- 2) 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), more than 20% of 42.5 and above grade cement raw materials come from the waste residue, more than 40% of other cement, cement clinker raw materials come from the waste residue; as approved by the competent tax authority, part of cement products produced by Tianshan Cement (second-level company of the Group) and some of its subsidiaries shall be subject to the preferential policy of refunding 70% immediately after payment of VAT.
- 3) According to the Notice of the Ministry of Finance and the State Administration of Taxation on Policies Regarding the Value-added Tax on Products Made through Comprehensive Utilization of Resources and Other Products (CS [2008] No. 156), Notice of the Ministry of Finance and the State Administration of Taxation on Policies Regarding the Value-added Tax on Products Made through Comprehensive Utilization of Resources and Other Products (CS [2009] No. 163) and Catalogue of Value-added Tax Preferences for Products and Services Involving the Comprehensive Utilization of Resources (CS [2015] No. 78), as approved by the tax bureau, P.O42.5, P.O42.5R ordinary Portland cement and P.C32.5R, P.C42.5, P.C42.5R composite Portland cement produced by third-level companies of the Group including Ningxia Saima Cement Co., Ltd., Ningxia Qingtongxia Cement Co., Ltd., Ningxia Zhongning Saima Cement Co., Ltd., Guyuan Liupanshan Cement Co., Ltd., Ningxia Shizuishan Saima Cement Co., Ltd., Sinoma (Gansu) Cement Co., Ltd. and Sinoma (Tianshui) Cement Co., Ltd. shall comply with the provisions and shall be subject to the preferential policy of "refund immediately after payment" of value-added tax.
- 4) According to the Notice on the Low VAT Rate Applicable to Certain Goods and the Policy of Levying VAT with Simple Measures (CS [2009] No. 9) and Notice on the Policy of Simplifying and Merging the Levying Rate of VAT (CS [2014] No. 57), from 1 July 2014, for the sales of commercial concrete of fourth-level companies of the Group including Tianshui Huajian Concrete Engineering Co., Ltd., Ningxia Zhongning Saima Concrete Co., Ltd., Ningxia Qingtongxia Saima Concrete Co., Ltd., Ningxia Golden Great Wall Concrete Co., Ltd. and Ningxia Yuhao Concrete Industry Co., Ltd., the VAT shall be calculated and paid at the levying rate of 3% according to a simplified method; From 1 July 2015, the originally shared preferential policy of VAT exemption of products featuring comprehensive utilization of resources originally enjoyed by the C15-C40 ready-mixed concrete produced and sold by Ningxia Saima Kejin Concrete Co., Ltd., a third-level company of the Group, is adjusted as follows: the VAT shall be calculated and paid at the levying rate of 3% according to a simplified method.

V. TAXES (CONTINUED)

2. Tax preference (Continued)

(2) VAT (Continued)

- 5) According to the Notice of Department of Finance of Ningxia Hui Autonomous Region, the State Taxation Bureau of Ningxia Hui Autonomous Region and the Local Taxation Bureau of Ningxia Hui Autonomous Region on the Exemption of Government Funds for Small and Micro Enterprises (NC(Z)F [2013] No. 275), fourth-level companies of the Group including Ningxia Junsheng Property Services Co., Ltd. and Ningxia Qingtongxia Qingyuan Property Service Co., Ltd. shall be exempt from two government funds including local educational surcharges of small and micro enterprises and water conservancy construction fund since 1 May 2013. According to the Notice of the People's Government of Inner Mongolia Autonomous Region Issuing the Regulations (Trial) on Encouraging and Supporting the Acceleration and Development of Non-public Economy (Trial) in the Autonomous Region (NZF [2013] No. 61), Wuhai Saima Cement Co., Ltd., a third-level company of the Group, is exempt from the local educational surcharges of enterprises and water conservancy construction fund since 1 July 2013.
- 6) According to the documents (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 1 January 2003.
- 7) According to the document (CS [2011] No. 111), Sinoma Science & Technology, a second-level company 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.

3. Others

For details of significant tax matters occurred in the Group in current period, please refer to Note XI (I) and Note XIV 4.

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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 2017; “end of the period” refers to 30 June 2017; “current period” refers to the period from 1 January 2017 to 30 June 2017; “previous period” refers to the period from 1 January 2016 to 30 June 2016; and the monetary unit is RMB.

1. Monetary funds

Item	As at	As at
	30 June 2017	31 December 2016
Cash	146,208,807.86	92,282,751.07
Cash in bank	16,766,413,640.84	15,385,509,668.46
Other monetary funds	2,765,956,610.81	2,460,606,757.91
Total	19,678,579,059.51	17,938,399,177.44
Including: total amount deposited abroad	1,883,410,421.73	1,175,396,124.34

At the end of the period, total monetary funds of the Group with limited use were RMB2,761,750,596.45, including RMB778,278,571.53 of bond deposit, RMB286,811,259.00 L/C deposit, RMB1,341,291,185.00 of acceptance bill deposit, RMB185,590,569.32 of performance deposit, RMB53,951,889.18 of mine environmental restoration and treatment deposit, RMB4,070,334.68 of margin for mining work safety risk, RMB5,870,000.00 of loan security deposit, RMB100,000,000.00 of restricted certificate of deposit, and RMB5,886,787.74 of others. The respective amount of monetary funds at the beginning of the period is RMB2,434,949,354.69.

2. Financial assets at fair value through profit or loss

Item	As at	As at
	30 June 2017	31 December 2016
Financial assets held for trading	5,828,174.40	5,302,903.32
Including: open-end monetary funds	5,828,174.40	5,302,903.32
Total	5,828,174.40	5,302,903.32

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

3. Bills receivable

(1) Classification of bills receivable

Item	As at 30 June 2017	As at 31 December 2016
Bank acceptance bills	4,446,226,508.69	4,718,320,516.28
Commercial acceptance bills	341,043,822.04	501,755,207.00
Total	4,787,270,330.73	5,220,075,723.28

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

Item	Pledged amount as at 30 June 2017
Bank acceptance bills	1,094,862,799.29
Total	1,094,862,799.29

(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 2017	Non-derecognized amount as at 30 June 2017
Bank acceptance bills	5,380,041,581.07	1,184,327,424.83
Commercial acceptance bills	42,463,681.47	55,059,317.81
Total	5,422,505,262.54	1,239,386,742.64

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

4. Accounts receivable

(1) Accounts receivable listed by age

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

	As at 30 June 2017	As at 31 December 2016
Within 1 year	6,397,500,683.79	6,187,797,598.24
1-2 years	1,909,659,772.91	1,779,607,064.31
2-3 years	998,116,806.97	763,149,753.46
3-4 years	620,408,064.74	496,946,234.90
4-5 years	387,906,253.32	965,041,840.25
Over 5 years	915,220,815.90	524,188,492.58
Total original value	11,228,812,397.63	10,716,730,983.74
Less: provision for bad debt of accounts receivable	2,489,922,988.96	2,456,059,522.86
Total accounts receivable	8,738,889,408.67	8,260,671,460.88

(2) Classification of accounts receivable

Category	As at 30 June 2017				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant provided for bad debts on individual basis	844,322,603.58	7.52	718,737,443.42	85.13	125,585,160.16
Account age portfolio	10,299,980,962.66	91.73	1,695,966,632.88	16.47	8,604,014,329.78
Accounts receivable that are individual insignificant provided for bad debts on individual basis	84,508,831.39	0.75	75,218,912.66	89.01	9,289,918.73
Total	11,228,812,397.63	100.00	2,489,922,988.96	-	8,738,889,408.67

Category	As at 31 December 2016				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant provided for bad debts on individual basis	857,602,686.12	8.00	729,983,223.29	85.12	127,619,462.83
Account age portfolio	9,781,808,514.96	91.28	1,651,149,535.73	16.88	8,130,658,979.23
Accounts receivable that are individual insignificant provided for bad debts on individual basis	77,319,782.66	0.72	74,926,763.84	96.91	2,393,018.82
Total	10,716,730,983.74	100.00	2,456,059,522.86	-	8,260,671,460.88

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

4. Accounts receivable (Continued)

(2) Classification of accounts receivable (Continued)

- 1) Accounts receivable that are individually significant provided for bad debts on individual basis

Name	As at 30 June 2017			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.	19,167,643.06	19,167,643.06	100.00	
Shanghai Longna Material Trading Co., Ltd.	17,074,614.56	15,443,139.25	90.45	
Shanghai Baohao Metallic Material Co., Ltd.	15,205,982.62	15,205,982.62	100.00	
Changjiang International Steel Logistics (Suzhou) Co., Ltd.	13,355,353.74	13,355,353.74	100.00	
Shanghai Duanfang Trading Co., Ltd.	11,282,114.22	11,282,114.22	100.00	
Sinoma Yangzhou Machinery Manufacture Co., Ltd.	11,930,851.15	11,930,851.15	100.00	Note 2
Yunwei Baoshan Organic Chemical Industry Co., Ltd.	90,090,646.70	16,238,621.70	18.02	Per the analysis of recoverable amount
Shanyin Xuan'ang Building Materials Co., Ltd.	14,167,635.00	14,167,635.00	100.00	Counterparty's
Chongqing Tenghui Fuling Cement Co., Ltd.	17,810,733.39	17,810,733.39	100.00	insolvency
Total	844,322,603.58	718,737,443.42		

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 2017		Provision proportion (%)
	Accounts receivable	Bad debt provision	
Within 1 year	6,358,017,200.73	264,375,154.32	4.16
1-2 years	1,850,147,670.25	186,631,748.14	10.09
2-3 years	890,532,525.19	179,671,097.10	20.18
3-4 Years	389,412,789.60	269,790,339.51	69.28
4-5 years	268,022,059.36	251,649,576.28	93.89
Over 5 years	543,848,717.53	543,848,717.53	100.00
Total	10,299,980,962.66	1,695,966,632.88	

- (3) In the current period, the provided bad debt provision was RMB67,300,878.05 and the recovered or reversed bad debt provision was RMB21,146,429.35.

- (4) Accounts receivable actually written off in the current period was RMB15,338,361.48.

(5) Top five of accounts receivable

Name	As at 30 June 2017	Account age	Proportion of total accounts receivable as at 30 June 2017 (%)	Bad debt provision as at 30 June 2017
Xinjiang Goldwind Science & Technology Co., Ltd.	349,562,141.05	Within 6 months	3.11	6,991,242.82
Jiangyin Yuanjing Investment Co., Ltd.	184,107,253.77	Within 6 months	1.64	3,682,145.08
Shanghai Baotou Material Co., Ltd.	158,788,049.58	Over 5 years	1.41	108,686,389.73
National Grids	114,791,420.33	Within 1 year	1.02	5,739,571.02
Diqing Shangri – La Kunming Iron & Steel Hongda Cement Co., Ltd.	107,003,387.76	Within 2 years	0.95	8,943,830.47
Total	914,252,252.49		8.13	134,043,179.12

- (6) See VI.63 Assets with title restrictions in the Notes for details of fixed assets pledged for borrowings as at 30 June 2017.

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

5. Prepayments

(1) Aging analysis of prepayments

Item	As at 30 June 2017		As at 31 December 2016	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	3,557,861,753.54	75.96	2,657,720,570.25	74.66
1-2 years	648,872,514.89	13.85	506,235,265.73	14.22
2-3 years	193,944,555.73	4.14	160,646,758.73	4.52
Over 3 years	283,263,326.41	6.05	235,046,697.13	6.60
Total	4,683,942,150.57	100.00	3,559,649,291.84	100.00

(2) Top five of prepayments

Name	As at 30 June 2017	Account Age	Proportion of total prepayment as at 30 June 2017 (%)
LOESCHE GMBH	191,147,864.27	Within 1 year	4.08
Jiangsu Hengxin Structural Steel Co., Ltd.	78,318,577.59	Within 1 year	1.67
AIMADKOUR FOR PROJECT	50,623,740.96	Within 1 year	1.08
Jiangsu Sainty International Group Machinery Imp. & Exp. Co., Ltd.	50,511,533.33	Within 1 year	1.08
IKN GMBH	49,709,419.50	Within 1 year	1.06
Total	420,311,135.65		8.97

6. Dividends receivable

Investee entity

	As at 30 June 2017	As at 31 December 2016
BBMG Corporation	33,541,200.00	33,541,200.00
Yili Nan'gang Building Materials (Group) Co., Ltd.	3,958,893.45	5,008,893.45
Taishan Fiberglass South Africa (PTY) Ltd.	587,004.45	587,004.45
Total	38,087,097.90	39,137,097.90

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

7. Other receivables

(1) Aging analysis of other receivables

	As at 30 June 2017	As at 31 December 2016
Within 1 year	681,984,578.87	659,597,162.33
1-2 years	203,083,467.02	188,417,661.27
2-3 years	131,193,515.62	86,182,302.82
3-4 years	84,869,181.61	49,347,655.67
4-5 years	46,793,724.58	667,614,350.45
Over 5 years	934,524,548.66	256,824,251.08
Total original value	2,082,449,016.36	1,907,983,383.62
Less: provision for bad debt of other receivables	913,965,809.68	907,737,632.82
Total other receivables	1,168,483,206.68	1,000,245,750.80

(2) Classification of other receivables

Category	As at 30 June 2017				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant provided for bad debts on individual basis	705,337,410.01	33.87	569,768,936.33	80.78	135,568,473.68
Account age portfolio	1,149,573,669.47	55.20	320,538,719.83	27.88	829,034,949.64
Other receivables that are individual insignificant provided for bad debts on individual basis	227,537,936.88	10.93	23,658,153.52	10.40	203,879,783.36
Total	2,082,449,016.36	100.00	913,965,809.68	-	1,168,483,206.68
Category	As at 31 December 2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant provided for bad debts on individual basis	678,682,676.08	35.57	566,539,850.28	83.48	112,142,825.80
Account age portfolio	1,054,591,754.76	55.27	306,503,373.25	29.06	748,088,381.51
Other receivables that are individual insignificant provided for bad debts on individual basis	174,708,952.78	9.16	34,694,409.29	19.86	140,014,543.49
Total	1,907,983,383.62	100.00	907,737,632.82	-	1,000,245,750.80

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 as at 30 June 2017

Name	Book balance	Provision of bad debts	Provision proportion (%)	Reasons for provision
Shanghai Baoao Steel Co., Ltd.	81,366,127.20	55,693,048.91	68.45	
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	
Shanghai Xulong Material Co., Ltd.	24,927,804.70	22,545,958.97	90.45	Note 1
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.	119,776,743.79	119,776,743.79	100.00	Note 2
Taian Taishan Holdings Limited	86,000,000.00	44,500,000.00	51.74	Per the recoverable amount
Zhuzhou Sinoma – EC Cogeneration Co., Ltd.	26,654,733.93	3,229,086.05	12.11	Per the recoverable amount
Jiangxi Shangrao Zhongchuang Real Estate Development Co., Ltd.	25,095,305.71	25,095,305.71	100.00	Per the recoverable amount
Qilianshan Industry & Trade Development Co., Ltd.	23,865,784.20	23,865,784.20	100.00	Counterparty's insolvency
People's Government of Yuhu District, Xiangtan City	17,104,333.00	1,576,012.83	9.21	Per the recoverable amount
Gansu Qilianshan You'an Brake Materials Co., Ltd.	14,516,740.00	14,516,740.00	100.00	Counterparty's insolvency
D'Long International Strategic Investment Company	10,000,000.00	10,000,000.00	100.00	Counterparty's bankruptcy
Total	705,337,410.01	569,768,936.33		

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

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

(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 of other receivables (Continued)

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

Account age	As at 30 June 2017		Provision proportion (%)
	Other receivables	Bad debt provision	
Within 1 year	676,886,150.20	32,325,925.26	4.78
1-2 years	93,332,306.16	9,411,708.98	10.08
2-3 years	93,608,243.97	16,302,539.41	17.42
3-4 years	34,327,171.36	18,788,483.48	54.73
4-5 years	36,631,602.83	28,921,867.75	78.95
Over 5 years	214,788,194.95	214,788,194.95	100.00
Total	1,149,573,669.47	320,538,719.83	

(3) The provision for bad debts increased in the current period was RMB6,574,546.72, and the recovered or reversed provision for bad debts in current period was RMB219,685.62.

(4) No other receivables were written off in the current period.

(5) Classification of other receivables by nature

Nature	As at 30 June 2017	As at 31 December 2016
Rent	5,007,118.79	4,150,339.82
Performance deposit and insurance deposit	220,202,999.84	215,530,261.12
Quality deposit	113,882,147.91	114,475,888.20
Reserve funds	125,975,753.39	146,707,689.45
Intercourse funds	577,076,104.91	527,593,632.81
Steel trading accounts receivable	388,566,746.38	388,566,746.38
Advances offered for others	371,978,094.43	223,771,118.15
Investment funds receivable	49,718,192.04	45,753,430.76
Equity transfer	86,000,500.00	86,000,000.00
Others	144,041,358.67	155,434,276.93
Total	2,082,449,016.36	1,907,983,383.62

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For the six months ended 30 June 2017

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

7. Other receivables (Continued)

(6) Top five of other receivables

Name	Nature	As at 30 June 2017	Account age	Proportion of total other receivables 30 June 2017 (%)	Bad debt provision as at 30 June 2017
Sinoma Yangzhou Machinery Manufacture Co., Ltd.	Intercourse funds	119,776,743.79	Over 5 years	5.75	119,776,743.79
Taian Taishan Holdings Limited	Equity transfer	86,000,000.00	Over 5 years	4.13	44,500,000.00
Shanghai Baoao Steel Co., Ltd.	Steel trading	81,366,127.20	Over 5 years	3.91	55,693,048.91
Shanghai Baotou Material Co., Ltd.	Steel trading	59,916,770.55	Over 5 years	2.88	41,011,508.69
Shanghai Lizhi Material Co., Ltd.	Steel trading	40,197,650.40	Over 5 years	1.93	40,197,650.40
Total		387,257,291.94		18.60	301,178,951.79

8. Inventories

(1) Classification of inventories

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Raw materials	2,174,411,941.22	95,989,170.63	2,078,422,770.59	1,595,224,726.41	102,180,998.33	1,493,043,728.08
Work in process	1,554,240,962.44	26,351,545.05	1,527,889,417.39	1,968,852,954.00	35,064,098.12	1,933,788,855.88
Goods in stock	2,605,619,206.40	134,088,449.27	2,471,530,757.13	2,662,207,179.95	157,270,204.04	2,504,936,975.91
Turnover materials	27,680,170.43	3,173,748.48	24,506,421.95	25,903,552.32	3,173,748.48	22,729,803.84
Completed but unsettled assets formed by construction contract	2,092,569,187.09	64,223,307.25	2,028,345,879.84	1,902,035,421.45	61,109,267.26	1,840,926,154.19
R&D expense	24,916,635.02	-	24,916,635.02	15,050,848.28	-	15,050,848.28
Materials in transit	49,379,127.38	10,767,575.47	38,611,551.91	146,332,182.14	13,317,310.05	133,014,872.09
Goods shipped	93,585,283.31	3,404,820.84	90,180,462.47	63,056,367.38	3,254,534.97	59,801,832.41
Others	141,343,331.44	-	141,343,331.44	3,949,464.93	-	3,949,464.93
Total	8,763,745,844.73	337,998,616.99	8,425,747,227.74	8,382,612,696.86	375,370,161.25	8,007,242,535.61

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

8. Inventories (Continued)

(2) Provisions for decline in value of inventories

Item	As at	Increase in the current period		Decrease in the current period		As at
	31 December 2016	Charge amount	Others	Reversal or write-off	Other transfer out	30 June 2017
Raw materials	102,180,998.33	-	354,005.00	6,507,908.08	37,924.62	95,989,170.63
Work in process	35,064,098.12	3,154,789.44	482,504.10	12,349,846.61	-	26,351,545.05
Goods in stock	157,270,204.04	4,466,927.51	442,274.40	26,533,290.20	1,557,666.48	134,088,449.27
Completed but unsettled assets formed by construction contract	61,109,267.26	5,162,285.70	-	2,048,245.71	-	64,223,307.25
Goods shipped	3,254,534.97	150,285.87	-	-	-	3,404,820.84
Turnover materials	3,173,748.48	-	-	-	-	3,173,748.48
Materials in transit	13,317,310.05	-	-	-	2,549,734.58	10,767,575.47
Total	375,370,161.25	12,934,288.52	1,278,783.50	47,439,290.60	4,145,325.68	337,998,616.99

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

Item	Amount
Incurred gross costs	36,805,475,597.92
Recognized gross profit	2,230,552,181.88
Less: estimated loss	64,223,307.25
Settled amount	36,943,458,592.71
Completed but unsettled assets formed by construction contract	2,028,345,879.84

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

9. Assets classified as held for sale

Item	Book value as at 30 June 2017	Fair value	Expected disposal expense	Expected disposal time
Premises and buildings	32,991,013.00	110,186,900.00	–	Year of 2017
Machinery equipment	8,812,324.11	76,183,462.00	–	Year of 2017
Transportation equipment	92,391.21	1,730,260.00	–	Year of 2017
Office equipment and miscellaneous	11,717.26	21,323.90	–	Year of 2017
Total	41,907,445.58	188,121,945.90	–	

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.

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-IV relocation assets are planned to be delivered at the end of 2017 (balance value as at 30 June 2017: RMB41,907,445.58; fair value as at 30 June 2017: RMB188,121,945.90). This part of assets satisfies the determination conditions of holding for sale and shall be separately listed in the balance sheet.

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

10. Other current assets

Item	As at 30 June 2017	As at 31 December 2016
Overpaid VAT	501,792,121.47	531,377,191.13
Financial products	21,400,000.00	400,000.00
Total	523,192,121.47	531,777,191.13

11. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instrument	3,978,531,387.58	154,404,446.69	3,824,126,940.89	2,871,808,317.62	154,404,446.69	2,717,403,870.93
Including: measured at fair value	3,641,280,577.35	-	3,641,280,577.35	2,521,512,211.50	-	2,521,512,211.50
Measured at cost	337,250,810.23	154,404,446.69	182,846,363.54	350,296,106.12	154,404,446.69	195,891,659.43
Total	3,978,531,387.58	154,404,446.69	3,824,126,940.89	2,871,808,317.62	154,404,446.69	2,717,403,870.93

(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/amortised cost of debt instruments	434,406,189.98	434,406,189.98
Fair value	3,641,280,577.35	3,641,280,577.35
Accumulated amount of changes in fair value included in other comprehensive income	3,206,874,387.37	3,206,874,387.37
Amount of impairment provision	-	-

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 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 at 30 June 2017, the Company has held 459,940,000 A-shares of BBMG Corporation which is equivalent to RMB2,975,811,800.00 of available-for-sale equity instrument at the closing price of 30 June 2017. The Company has held 330,000 corporate shares of Bohai Water Industry Co., Ltd. which can be recognized as RMB9,586,500.00 of available-for-sale equity instrument at the closing price of 30 June 2017. The Company has held 599,596.97 shares of Great Wall Jiuhe Funds which can be recognized as RMB809,455.92 of available-for-sale equity instrument at the closing price of 30 June 2017.
- 2) As at 30 June 2017, Sinoma International, a second-level company of the Group, has held 520,104 shares of Bank of Communications which can be recognized as RMB3,203,840.64 of available-for-sale equity instrument at the closing price of 30 June 2017.
- 3) As at 30 June 2017, Sinoma Tianjin Heavy Machinery Co., Ltd., a fourth-level company of the Group, has held 1,710,000 shares of Sinoma Energy Conservation Ltd. Due to the planning of a significant event, which may involve purchasing assets in issuance of shares and raising funds, the stock of Sinoma Energy Conservation was suspended since 27 June 2017, which can be recognized as RMB28,146,600.00 of available-for-sale equity instrument at the closing price before stock suspension.
- 4) West Xinjiang Construction Co., Ltd. (hereinafter referred to as "West Construction") was listed on Shenzhen Stock Exchange in October 2009. As at 30 June 2017, Tianshan Cement, a second-level company of the Group, has held 13,419,473 shares of West Construction which can be recognized as RMB297,509,716.41 of available-for-sale equity instrument at the closing price of 30 June 2017.
- 5) Guotai Junan Securities Co., Ltd. (hereinafter referred to as "Guotai Junan") was listed on Shanghai Stock Exchange on 26 June 2015. As at 30 June 2017, Sinoma Hanjiang Cement Co., Ltd., a third-level company of the Group, has held 4,963,538 shares of Guotai Junan which can be recognized as RMB101,802,164.38 of available-for-sale equity instrument at the closing price of 30 June 2017.
- 6) As at 30 June 2017, Gansu Qilianshan Cement Group Co., Ltd. (hereinafter referred to as "Qilianshan Co."), a third-level company of the Group, has held 18,470,000 shares of Lanzhou Ls Heavy Equipment Co., Ltd. (hereinafter referred to as "Ls Heavy Equipment") which can be recognized as RMB224,410,500.00 of available-for-sale equity instrument at the closing price of 30 June 2017.

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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 2016	Increase in current period	Decrease in current period	As at 30 June 2017	Increase in current period	Decrease in current period		
Sinoma Yangzhou Machinery Manufacture Co., Ltd. (Note 1)	45,028,843.01	-	-	45,028,843.01	-	-	70.00	-
Anhui Pacific Cable Co., Ltd.	30,000,000.00	-	-	30,000,000.00	-	-	3.00	-
Tongda Refractory Technologies Co., Ltd.	24,027,891.82	-	-	24,027,891.82	-	-	3.00	-
Sinoma Dingyuan Ecological Fertilizer Co., Ltd.	16,750,000.00	-	16,750,000.00	-	-	-	-	-
Global Cement Capital Partners Ltd	11,815,658.31	304,704.11	-	12,120,362.42	-	-	10.00	-
Beijing Zhongjian Haida International Trading Co., Ltd.	1,000,000.00	-	1,000,000.00	-	-	-	-	-
Guangxi Yufeng Cement STOCK Co., Ltd.	755,274.07	-	-	755,274.07	-	-	0.16	-
Beijing CCA Website Information Consultation Co., Ltd.	304,825.02	-	-	304,825.02	-	-	17.28	-
Tangshan Beifang Cement Machinery (Institute) Co., Ltd.	278,741.58	-	-	278,741.58	-	-	3.14	-
Sichuan International Building Material Corporation	50,000.00	-	-	50,000.00	-	-	-	-
Shanghai Shenjian Corporation	42,313.66	-	-	42,313.66	-	-	8.33	-
Sinoma Bangye (Tianjin) Intelligence Technology Co., Ltd.	-	4,000,000.00	-	4,000,000.00	-	-	40.00	-
Xian Scioor High-tech Biological Co., Ltd.	4,600,000.00	-	-	4,600,000.00	-	-	7.95	-
Eastern Life Insurance Co., Ltd.	50,000,000.00	-	-	50,000,000.00	-	-	6.25	-
Deheng Securities Co., Ltd.	49,800,000.00	-	-	49,800,000.00	-	-	6.50	-
Xinjiang Western International Travel Service Co., Ltd.	22,018,127.14	-	-	22,018,127.14	-	-	8.18	-
Xinjiang MME Switch Co., Ltd.	2,100,000.00	-	-	2,100,000.00	-	-	1.58	-
Bank of Ningxia Co., Ltd.	57,300,000.00	-	-	57,300,000.00	-	-	1.53	3,064,000.00
Majji Rural Cooperative Bank	200,000.00	-	-	200,000.00	-	-	0.25	38,000.00
Banking Department of Qingshui County Credit Cooperation Union	100,000.00	-	-	100,000.00	-	-	0.22	13,000.00
Cheng'an Bank Co., Ltd.	4,641,980.00	-	-	4,641,980.00	-	-	0.09	-
Hubei Changyao New Material Co., Ltd.	2,100,000.00	-	-	2,100,000.00	-	-	2.54	150,000.00
Guozai Junan Investment Management Co., Ltd.	403,340.00	-	-	403,340.00	-	-	0.03	-
Yangzhou Kewo Energy-saving New Materials Co., Ltd.	4,000,000.00	-	-	4,000,000.00	-	-	8.00	-
Nanjing Tongtong Science & Technology Industrial Co., Ltd.	3,107,200.00	-	-	3,107,200.00	-	-	0.86	-
Shandong Innovation Investment Guarantee Co., Ltd.	2,000,000.00	-	-	2,000,000.00	-	-	8.93	-
Zoucheng Rural Credit Cooperative Union	1,000,000.00	-	-	1,000,000.00	-	-	0.28	-
Chengdu Xindu Jinhai Water Treatment Co., Ltd.	-	400,000.00	-	400,000.00	-	-	2.00	-
Lanzhou Chongxiang Building Material Co., Ltd. (Note 2)	9,495,603.68	-	-	9,495,603.68	-	-	56.00	-
China Dragon Securities Co., Ltd.	2,852,217.03	-	-	2,852,217.03	-	-	0.14	-
Lanzhou Zhongchuan Qilianshan Cement Co., Ltd.	4,524,090.80	-	-	4,524,090.80	-	-	18.00	-
Total	350,296,106.12	4,704,704.11	17,750,000.00	337,250,810.23	-	-	-	3,265,000.00
				154,404,446.69				
								154,404,446.69

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)

Note 1: The bankruptcy of Sinoma Yangzhou Machinery, a former fourth-level company of the Group, has been declared by the local court. Sinoma Yangzhou, therefore, cannot be included in the consolidation scope.

Note 2: Qilianshan Co., a third-level company of the Group, holds 56.00% equity of Lanzhou Chongxiang Building Material Co., Ltd. (hereinafter 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.

12. Held-to-maturity investments

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Deheng Securities Co., Ltd.	23,664,975.00	23,664,975.00	-	23,664,975.00	23,664,975.00	-
Jinxin Trust & Investment Co., Ltd.	76,301,383.33	76,301,383.33	-	76,301,383.33	76,301,383.33	-
Total	99,966,358.33	99,966,358.33	-	99,966,358.33	99,966,358.33	-

(1) As at 30 June 2017, 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 RMB23,664,975.00. 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 provided for the impairment provision in full in 2004.

(2) As at 30 June 2017, 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 RMB76,301,383.33. 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 provided for the impairment provision in full in 2004.

13. Long-term receivables

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Installment Contract	1,531,320,366.23	-	1,531,320,366.23	1,409,191,067.46	-	1,409,191,067.46
Total	1,531,320,366.23	-	1,531,320,366.23	1,409,191,067.46	-	1,409,191,067.46

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

14. Long-term equity investments

Investee entities	31 December 2016	As at	Additional investment	Investment decrease	Investment loss under equity method	Changes in Current Period Adjustment				Change of impairment provision	Others	As at 30 June 2017	Provision for impairment as at 30 June 2017
						Investment gain/loss under equity method	Other comprehensive income	Other equity changes	Cash dividends or profits declared to pay				
I. Joint ventures													
Taishan Fiberglass South Africa (PTY) Ltd.	3,348,361.41	-	-	-	1,055,186.12	206,874.28	-	-	-	-	4,610,421.81	-	-
II. Associates													
Wuxi Hengju Concrete Pile Manufacturing Co., Ltd.	1,570,300.47	-	-	-	28,709.40	-	-	-	-	-	1,599,009.87	-	-
Hanzhong Haijiang Concrete Co., Ltd.	2,403,918.23	-	-	-	-	-	-	-	-	-	2,403,918.23	2,403,918.23	-
Jiangsu Zhongkai New Material Co., Ltd.	3,522,318.40	-	-	3,522,318.40	-	-	-	-	-	-	-	-	-
Sinoma GT&I (Tianjin) Investment Management Co., Ltd.	7,348,941.37	-	-	-	-143,775.86	-	-	-	-	-	7,205,165.51	-	-
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	20,047,709.50	-	-	-	146,539.67	-	-	-	-	-	20,194,249.17	-	-
Hangzhou Qiangshi Engineering Materials Co., Ltd.	5,107,657.71	-	-	-	3,619.00	-	-	-	-	-	5,111,276.71	-	-
Sinoma Group Finance Co., Ltd.	182,265,245.19	-	-	-	9,546,266.37	-2,580,000.00	-	-	-	-	189,231,511.56	-	-
Gezhouba Sinoma Jieixin (Wuhan) Science & Technology Co., Ltd.	15,687,558.15	11,370,000.00	-	-	-34,341.30	-	-	-	-	-	27,023,216.85	-	-
Shanxi Sinoma Taoyuan Environment Technology Co., Ltd.	-	-	1,200,000.00	-	-	-	-	-	-	-	1,200,000.00	-	-
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	-
Tibet Donggar Datonghe Cement Grinding Co., Ltd.	7,716,784.77	-	-	-	-	-	-	-	-	-	7,716,784.77	7,716,784.77	-
Jinhan Klin Tail Preheater Engineering Corporation	100,000.00	-	-	-	-	-	-	-	-	-	100,000.00	100,000.00	-
Tianjin Xinjiyuan Industrial Development Co., Ltd.	1,050,000.00	70,000.00	-	-	-	-	-	-	-	-	1,120,000.00	1,050,000.00	-
Technical Service Department of Tianjin Cement Industry Design & Research Institute Co., Ltd.	2,584,397.54	-	-	-	-	-	-	-	-	-	2,584,397.54	1,861,489.10	-
IMS Botswana	510,447.39	-	-	-	-	-	-	-	-	30,933.67	541,381.06	533,615.96	-
Votex Cement Pvt Ltd.	5,114.73	-	-	-	-	-	-	-	-	131.90	5,246.63	-	-
Suzhou Huijian Consultation Co., Ltd.	30,000.00	-	-	-	-	-	-	-	-	-	30,000.00	30,000.00	-
Anhui Xiaoxian Jinyuan Mining Co., Ltd.	1,951,905.86	-	-	-	-	-	-	-	-	-	1,951,905.86	1,951,905.86	-
Suzhou Guojian Huitou Mineral New Materials Co., Ltd.	-	-	4,725,000.00	-	-	-	-	-	-	-	4,725,000.00	-	-
Total	258,012,071.94	12,640,000.00	3,522,318.40	10,602,203.40	206,874.28	-	-	-	-	31,065.57	280,114,896.79	18,409,125.14	-

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

15. Investment properties

(1) Investment properties measured at cost

Item	Premises and buildings	Land use right	Total
I. Original book value			
1. As at 31 December 2016	313,615,655.18	102,429,348.21	416,045,003.39
2. Increase in current period	83,773,209.62	4,967,952.24	88,741,161.86
(1) Outsourcing	10,127,401.18	527,807.83	10,655,209.01
(2) Transferred from fixed assets/ intangible assets	73,645,808.44	4,440,144.41	78,085,952.85
3. Decrease in current period	16,251,006.55	3,900,000.00	20,151,006.55
(1) Decrease due to business merger	16,251,006.55	3,900,000.00	20,151,006.55
4. As at 30 June 2017	381,137,858.25	103,497,300.45	484,635,158.70
II. Accumulated depreciation and accumulated amortization			
1. As at 31 December 2016	87,383,973.65	14,973,325.19	102,357,298.84
2. Increase in current period	19,501,532.73	2,297,831.79	21,799,364.52
(1) Provision or amortization	10,094,345.20	1,794,715.44	11,889,060.64
(2) Transferred from fixed assets/ intangible assets	9,407,187.53	503,116.35	9,910,303.88
3. Decrease in current period	1,914,831.05	396,579.30	2,311,410.35
(1) Decrease due to business merger	1,914,831.05	396,579.30	2,311,410.35
4. As at 30 June 2017	104,970,675.33	16,874,577.68	121,845,253.01
III. Impairment provision			
1. As at 31 December 2016	-	-	-
2. Increase in current period	-	-	-
(1) Provision	-	-	-
3. Decrease in current period	-	-	-
(1) Disposal	-	-	-
(2) Other transfer out	-	-	-
4. As at 30 June 2017	-	-	-
IV. Book value			
1. Book value as at 30 June 2017	276,167,182.92	86,622,722.77	362,789,905.69
2. Book value as at 31 December 2016	226,231,681.53	87,456,023.02	313,687,704.55

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For the six months ended 30 June 2017

(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 (Continued)

(2) Investment properties without ownership certificates

Item	Book value		Reason
	as at 30 June 2017	as at 31 December 2016	
Shops of Qilianshan real estate building	1,700,486.04	1,756,897.56	In progress

As at 30 June 2017, the above properties were obtained in accordance with the relevant legal procedures. The Group is confident that the property transfer does not have substantial legal impediments or affect the Group's normal use of such buildings. Therefore, it does not materially affect the normal operation of the Group; there is no need to withdraw the impairment provision of investment properties.

16. Fixed assets

(1) Details

Item	Premises	Machinery	Transportation	Office	Others	Total
	and buildings	equipment	equipment	equipment		
I. Original book value						
1. As at 31 December 2016	26,501,599,431.76	37,134,832,951.01	1,917,297,757.98	1,177,592,181.41	1,025,591,349.84	67,756,913,672.00
2. Increase in current period	411,746,318.35	1,329,243,830.59	33,231,726.30	81,250,406.71	75,942,229.25	1,931,414,511.20
(1) Purchase	128,410,536.16	582,199,623.81	28,762,123.97	21,052,565.50	66,133,906.77	826,558,756.21
(2) Transferred from construction in progress	279,670,258.10	744,944,361.57	2,711,695.72	59,746,560.58	9,808,322.48	1,096,881,198.45
(3) Increase due to business merger	-	-	124,286.00	90,434.00	-	214,720.00
(4) Effect of exchange rates	3,665,524.09	2,099,845.21	1,633,620.61	360,846.63	-	7,759,836.54
3. Decrease in current period	232,081,967.25	741,855,039.31	72,042,646.82	20,070,888.66	12,017,550.49	1,078,068,092.53
(1) Disposal or retirement	158,436,158.81	736,952,639.31	57,904,281.82	19,185,653.66	12,017,550.49	984,496,284.09
(2) Transferred to investment properties	73,645,808.44	-	-	-	-	73,645,808.44
(3) Decrease due to business merger	-	4,902,400.00	14,138,365.00	885,235.00	-	19,926,000.00
4. As at 30 June 2017	26,681,263,782.86	37,722,221,742.29	1,878,486,837.46	1,238,771,699.46	1,089,516,028.60	68,610,260,090.67
II. Accumulated depreciation						
1. As at 31 December 2016	5,502,070,699.08	15,449,789,065.98	1,212,525,166.83	754,152,364.07	625,299,828.85	23,543,837,124.81
2. Increase in current period	374,244,414.49	1,238,313,829.62	81,417,583.56	41,608,715.93	62,181,727.16	1,797,766,270.76
(1) Provision	373,479,089.55	1,237,106,792.13	80,009,354.93	41,396,572.08	62,181,727.16	1,794,173,535.85
(2) Increase due to business merger	-	-	61,144.28	27,980.83	-	89,125.11
(3) Effect of exchange rates	765,324.94	1,207,037.49	1,347,084.35	184,163.02	-	3,503,609.80
3. Decrease in current period	108,628,226.85	367,973,882.64	53,694,217.19	15,901,225.76	11,480,447.55	557,677,999.99
(1) Disposal or retirement	99,221,039.32	366,588,856.13	46,320,952.09	15,194,846.53	11,480,447.55	538,806,141.62
(2) Transferred to investment properties	9,407,187.53	-	-	-	-	9,407,187.53
(3) Decrease due to business merger	-	1,385,026.51	7,373,265.10	706,379.23	-	9,464,670.84
4. As at 30 June 2017	5,767,686,886.72	16,320,129,012.96	1,240,248,533.20	779,859,854.24	676,001,108.46	24,783,925,395.58
III. Impairment provision						
1. As at 31 December 2016	671,128,848.99	783,707,645.37	13,633,821.54	9,531,289.80	16,427,764.32	1,494,429,370.02
2. Increase in current period	-	11,763,937.45	-	136,617.66	-	11,900,555.11
(1) Provision	-	11,763,937.45	-	136,617.66	-	11,900,555.11
3. Decrease in current period	27,062,766.19	5,610,969.45	2,823,911.66	112,842.58	30,462.37	35,640,952.25
(1) Disposal or retirement	27,062,766.19	5,610,969.45	1,405.00	112,842.58	30,462.37	32,818,445.59
(2) Decrease due to business merger	-	-	2,822,506.66	-	-	2,822,506.66
4. As at 30 June 2017	644,066,082.80	789,860,613.37	10,809,909.88	9,555,064.88	16,397,301.95	1,470,688,972.88
IV. Book value						
1. Book value as at 30 June 2017	20,269,510,813.34	20,612,232,115.96	627,428,394.38	449,356,780.34	397,117,618.19	42,355,645,722.21
2. Book value as at 31 December 2016	20,328,399,883.69	20,901,336,239.66	691,138,769.61	413,908,527.54	383,863,756.67	42,718,647,177.17

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

16. Fixed assets (Continued)

(2) Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Impairment provision	Net book value
Premises and buildings	858,578,933.96	359,757,499.24	250,277,735.13	248,543,699.59
Machinery equipment	1,918,839,497.78	1,274,984,126.64	380,488,882.18	263,366,488.96
Transportation vehicles	26,539,640.02	21,824,156.20	1,484,045.55	3,231,438.27
Office equipment and miscellaneous	31,412,969.56	24,197,378.88	4,130,434.27	3,085,156.41
Total	2,835,371,041.32	1,680,763,160.96	636,381,097.13	518,226,783.23

(3) Fixed assets without ownership certificates

Item	Book value as at 30 June 2017	Reason
New workshop and auxiliary buildings of Shangrao Machinery Co., Ltd.	43,265,562.82	Overall relocation and construction has not been completed and the title certificate will be handled together after construction of the office building
Sandblasting room of Sinoma-Liyang Heavy Machinery Co., Ltd.	3,639,842.90	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
Office building of Sinoma-Tangshan Heavy Machinery Co., Ltd.	2,037,548.50	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 Sinoma-Tangshan Heavy Machinery Co., Ltd.	4,328,107.10	Project planning completion acceptance, construction permit, fire-fighting registration certificate of construction project and registration of completion acceptance of construction project in progress
Dormitory of Sinoma-Tangshan Heavy Machinery Co., Ltd.	2,108,549.36	Unsettled yet
Factory and workshop of Sinoma-Xuzhou Heavy Machinery Co., Ltd.	115,190,848.90	Unsettled yet
1900 m ² finished product warehouse of Environmental Protection Conveying Machinery Branch of Sinoma Changshu Machinery	1,225,381.28	In progress
Clinker cement production line of Dabancheng Tianshan Phase I	69,169,660.82	In progress
Sales office building of Hami Tianshan	19,143,262.03	In progress
Office building, central control building, laboratory building, etc. of Wuhai Saima	11,689,153.22	In progress
Main workshop and other houses of Wuhai Xishui	6,354,635.36	Lease land
Office & Service Building of Saima Concrete	11,255,147.66	Leasing of land use rights of the Company
Office building, dormitory and production houses of Sinoma Tianshui	10,633,348.01	In progress
Office building, dormitory and production houses of Sinoma Gansu	12,345,796.79	In progress
Office building of Qingtongxia Concrete Jinji Branch	1,589,454.17	In progress
Office building, dormitory, laboratory building, etc. of Tianshui Huajian	2,385,446.22	In progress
Laboratory building, weighbridge room and power distribution room of Zhongning Concrete	1,815,242.62	In progress
Sale office building of Zhongning Saima	937,752.10	In progress
BOX (企業匯第6號樓)	25,281,991.60	In progress
Filter warehouses, sewing workshop construction projects	15,240,013.51	In progress
House property of Taishan Fiberglass	348,645,860.54	In progress
House property of Shandong Composite Material	59,139,732.07	In progress
House property of Antai Gas	11,295,020.90	In progress
House property of Huatai Fine Powder	855,665.25	In progress

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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)

16. Fixed assets (Continued)

(3) Fixed assets without ownership certificates (Continued)

Item	Book value	Reason
	as at 30 June 2017	
Storehouse, office building and workshop of the headquarters of CSG Limited	9,067,111.57	In progress
House property of Xinganmeng Taixin Mining Co., Ltd.	30,159.83	In progress
Premises and buildings of Jiangsu Solar Energy	31,416,298.31	Incomplete certificate information
Factory, office building and dormitory of Silicon Material Company	17,133,596.52	Incomplete certificate information
Golmud complex building and 110KV converging booster station	10,538,279.75	Incomplete certificate information
Production workshop of Zibo quartz ceramic radome	2,968,638.57	Incomplete certificate information
Zibo post-processing workshop	1,386,357.80	Incomplete certificate information
Total	852,113,466.08	

Seeing that the above properties were obtained in accordance with the relevant legal procedures, the Board of Directors of the Company is confident that the property transfer does not have substantial legal impediments or affect the Group's normal use of such buildings. Therefore, it does not materially affect the normal operation of the Group; there is no need to withdraw the impairment provision of fixed assets.

(4) Fixed assets held under finance lease

Item	Original book value	Accumulated depreciation	Net book value
Machinery equipment	470,725,925.79	76,883,374.49	393,842,551.30
Total	470,725,925.79	76,883,374.49	393,842,551.30

(5) See VI.63 Assets with title restrictions in the Notes for details of fixed assets pledged for borrowings as at 30 June 2017.

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For the six months ended 30 June 2017

(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

(1) Details

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
High-end Environmental Protection Equipment Industrial Base	47,787,884.66	-	47,787,884.66	29,761,788.60	-	29,761,788.60
Annual production of 30,000t Soil Conditions project of Simoma Dingyuan Ecological Fertilizer Co., Ltd.	37,641,614.81	-	37,641,614.81	-	-	-
Construction of New Factory of Sinoma Shangrao and Office Building	31,212,254.79	-	31,212,254.79	25,037,048.67	-	25,037,048.67
Cement Technical Equipment Base of Liyang Heavy Machinery	6,655,195.11	-	6,655,195.11	5,957,157.99	-	5,957,157.99
Construction of New Factory of Xuzhou Heavy Machinery	4,252,958.58	-	4,252,958.58	8,605,781.19	-	8,605,781.19
Liyang Sinoma Environmental hazards project	55,943.09	-	55,943.09	21,700,526.52	-	21,700,526.52
Duolang Sishichang Rock Mine of Tianshan Cement	40,990,650.41	-	40,990,650.41	40,109,467.19	-	40,109,467.19
Yili Jiakubula Limestone Mine Project of Tianshan Cement	34,410,580.01	-	34,410,580.01	33,652,329.91	-	33,652,329.91
Technology Renovation Project of Kiln-end Precipitator of Fukang Tianshan	28,158,257.48	-	28,158,257.48	-	-	-
Yecheng Tianshan Kokyar Limestone Mine	27,884,600.85	-	27,884,600.85	23,410,676.06	-	23,410,676.06
Electric Bag Project of Midong Tianshan	18,972,879.03	-	18,972,879.03	-	-	-
Kuqa Hutong Bulake Mine	17,537,907.84	-	17,537,907.84	17,440,020.67	-	17,440,020.67
Hami Tianshan Sitian Limestone Mine	11,752,947.34	-	11,752,947.34	11,752,947.34	-	11,752,947.34
Changji Tianshan Jinggou Mine	10,867,090.40	-	10,867,090.40	10,826,690.40	-	10,826,690.40
Auxiliary Project of Co-processing of 29800t Hazard Waste with Liyang Tianshan	9,929,332.62	-	9,929,332.62	9,910,464.70	-	9,910,464.70
3000t Clinker Production Line of Fuyun Tianshan	5,099,527.41	-	5,099,527.41	4,845,978.68	-	4,845,978.68
Emin Tianshan 3000t Clinker Production Line Project	-	-	-	10,563,589.17	10,563,589.17	-
Reform of Qingtongxia No. 2 Raw Mill	20,090,398.13	-	20,090,398.13	139,622.65	-	139,622.65
Reform of Roller Press-end Grinding Mill	6,221,143.82	-	6,221,143.82	273,209.20	-	273,209.20
Energy Saving Transformation Project of Raw Material Grinding System	5,385,385.20	-	5,385,385.20	-	-	-
Production Line of Sinoma Hong Kong Zambia Project	493,308,140.21	-	493,308,140.21	40,210,316.94	-	40,210,316.94
Cement Kiln Co-processing Domestic Waste Project of Anhui Cement	65,569,989.45	-	65,569,989.45	63,335,311.85	-	63,335,311.85
5000t/d Cement Production Line and Relevant Supporting Project of Xiangtan Sinoma Cement	11,557,207.61	-	11,557,207.61	5,476,907.30	-	5,476,907.30
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
Breaking Project of Anhui Cement	-	-	-	20,958,702.45	-	20,958,702.45
F05 - 50,000 t/a Glass Fiber Kiln Production Line and Supporting Project	270,118,167.53	-	270,118,167.53	62,859,985.85	-	62,859,985.85
New District Staff Logistics Service Project	58,100,099.44	-	58,100,099.44	7,158,219.52	-	7,158,219.52
Expansion Project of Multi-Axial Warp Knitting Fabric Production Line for 2 MW Wind Turbine Blades	36,328,669.97	-	36,328,669.97	32,537,699.40	-	32,537,699.40
Cold Repair, Capacity Expansion and Reconstruction Project of 2# Spun Yarn Production Line	33,750,650.50	-	33,750,650.50	34,325,789.72	-	34,325,789.72
Building Project of 240,000,000 m ² /A Lithium Battery Diaphragm	33,616,929.71	-	33,616,929.71	2,947,227.32	-	2,947,227.32
Line 3 Cold Repair and Reconstruction Project (3#/4# Line Cold Repair and Reconstruction to Create Two 80,000 tons Production Lines)	31,657,200.36	-	31,657,200.36	33,199,124.49	-	33,199,124.49
4000t Industrial Project of Sinoma Science & Technology	24,593,176.24	-	24,593,176.24	20,472,864.12	-	20,472,864.12

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

17. Construction in progress (Continued)

(1) Details (Continued)

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
New District 2# Oxygen Production Station Project	23,700,000.00	-	23,700,000.00	-	-	-
Low-k Glass Project	20,317,460.01	-	20,317,460.01	-	-	-
Multiaxial Project of New Park of Taishan Fiberglass	18,229,424.00	-	18,229,424.00	18,229,424.00	-	18,229,424.00
Multi-Variety Small-Batch Research and Development Capacity Building	17,352,927.19	-	17,352,927.19	13,350,326.59	-	13,350,326.59
CNG Cylinder Industry Transfer Project	16,573,783.02	-	16,573,783.02	15,373,303.10	-	15,373,303.10
Pipe Installation Works of Taishan Fiberglass	11,940,101.82	-	11,940,101.82	7,831,852.34	-	7,831,852.34
Fiberglass Super Electronics Spun Yarn Project Phase I	11,421,742.02	-	11,421,742.02	-	-	-
Jiangning Construction Project of Fabric Base Joint Workshop 2 and Shop	9,062,441.50	-	9,062,441.50	854,316.14	-	854,316.14
New District Powder Processing Project	8,876,484.23	-	8,876,484.23	2,755,912.07	-	2,755,912.07
4,000 t/a High-Strength and High-Membrane Alkali-Free Glass Fiber Production Line	8,356,000.20	-	8,356,000.20	8,356,000.20	-	8,356,000.20
Second Workshop Technology Upgrade Project	7,610,006.44	-	7,610,006.44	1,100,735.99	-	1,100,735.99
400,000 pc./a Small Cylinder Expansion Project	5,209,857.02	-	5,209,857.02	5,209,857.02	-	5,209,857.02
Testing Bench Construction Project	5,158,624.22	-	5,158,624.22	-	-	-
31 Technical Reform of Sinoma Sciences & Technology	1,832,728.89	-	1,832,728.89	1,310,603.53	-	1,310,603.53
50,000t Electronic Grade Alkali-Free Glass Fiber project of Taishan Fiberglass	75,085.47	-	75,085.47	47,587,843.35	-	47,587,843.35
International Customer Production Workshop Construction Project	51,872.25	-	51,872.25	6,543,670.26	-	6,543,670.26
F04 - 2*100,000 t/a Alkali-Free Glass Fiber Tank-Kiln Drawing Production Line Project	-	-	-	500,607,051.26	-	500,607,051.26
Multiaxial Project of New Park of Taishan Fiberglass	-	-	-	86,638,182.67	-	86,638,182.67
F03 - 100,000 t/a Alkali-Free Glass Fiber Tank-Kiln Drawing Production Line Project	-	-	-	48,244,500.00	-	48,244,500.00
KCW75	-	-	-	4,390,107.67	-	4,390,107.67
Construction Project of Parent Glass R&D Building and Complex Building of Sinoma Advanced	20,861,162.80	-	20,861,162.80	23,181,805.64	-	23,181,805.64
Construction Project WJJG	12,197,159.04	-	12,197,159.04	9,184,836.01	-	9,184,836.01
Phase-II Technical Reform of 100,000 pc./a Production Line of Quartz Ceramic Crucible for Solar Energy Polysilicon	7,455,542.78	-	7,455,542.78	5,359,059.81	-	5,359,059.81
Composite Insulator Project	5,167,313.02	-	5,167,313.02	-	-	-
Boron Nitride Project of Sinoma Advanced	4,987,009.77	-	4,987,009.77	4,987,009.77	-	4,987,009.77
50,000t/a High-Purity Quartz Sand Production Line	4,712,131.34	-	4,712,131.34	4,712,131.34	-	4,712,131.34
100 t/a Silicon Nitride Ceramic Product Project	2,394,445.82	-	2,394,445.82	362,877.64	-	362,877.64
80,000 t/a Alkali-free Glass Fiber Production Line Technical Improvement Project	171,462,181.46	-	171,462,181.46	118,075,445.73	-	118,075,445.73
4500T/D New Dry Method Cement Production Line Project of Wushan	45,450,859.74	-	45,450,859.74	69,725,723.49	-	69,725,723.49
Energy-Saving Reconstruction of Raw Mill System (QPLJG201600008)	24,958,853.60	-	24,958,853.60	8,686,293.77	-	8,686,293.77
Consumption Reduction Reform of 1# / 2# Raw Material Grinding System	22,171,964.61	-	22,171,964.61	70,754.71	-	70,754.71
Public Rental Housing Construction Project	22,043,243.85	-	22,043,243.85	19,938,632.01	-	19,938,632.01

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

17. Construction in progress (Continued)

(1) Details (Continued)

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Energy Conservation and Emission Reduction, i.e. Comprehensive Resource Utilization of Qilianshan Yumen 2*4500t/d New Dry Method Cement Production Line	22,017,960.56	21,311,451.28	706,509.28	21,817,111.19	-	21,817,111.19
1,200,000t/a Dry Method Cement Production Line in Tibet	14,684,577.85	-	14,684,577.85	11,696,202.56	-	11,696,202.56
Energy Conservation Reform of 1#/2# Vertical Mill System	10,734,929.10	-	10,734,929.10	-	-	-
Chengxian Waste Heat Power Generation	9,878,167.26	-	9,878,167.26	6,919,655.27	-	6,919,655.27
Development and Construction Project of Longgou	8,056,968.77	-	8,056,968.77	7,800,567.99	-	7,800,567.99
Sunan Qilianshan 4500T/D Clinker Production Line	6,764,638.36	-	6,764,638.36	6,751,857.44	-	6,751,857.44
Integrated Reform of 1# Cement Milling System	6,054,225.05	-	6,054,225.05	2,403,733.68	-	2,403,733.68
Westward Expansion Project of Chengxian Niuxieshan Mine	3,965,188.68	-	3,965,188.68	3,965,188.68	-	3,965,188.68
Gangu # Cement Mill New Roller Press System	2,630,899.19	-	2,630,899.19	26,740,525.03	-	26,740,525.03
Energy-Saving Technical Reconstruction Project of Honggu Raw Mill and 2 # Cement Mill	2,239,878.36	-	2,239,878.36	16,826,077.98	-	16,826,077.98
4.5 Mw Waste Heat Power Generation of Wenxian Qilianshan Cement Co., Ltd.	1,472,078.00	-	1,472,078.00	24,416,644.73	-	24,416,644.73
4500T/D Production Line of Chengxian Qilianshan	-	-	-	37,100,947.85	-	37,100,947.85
Others	138,487,551.18	6,441,607.41	132,045,943.77	92,665,167.63	6,441,607.41	86,223,560.22
Total	2,166,649,792.97	27,753,058.69	2,138,896,734.28	1,875,766,925.94	17,005,196.58	1,858,761,729.36

(2) Provision for impairment of construction in progress during the period

Item	Withdrawal	
	during the period	Reason for provision
Energy Conservation and Emission Reduction, i.e. Comprehensive Resource Utilization of Qilianshan Yumen 2*4500t/d New Dry Method Cement Production Line	21,311,451.28	Project suspension
Total	21,311,451.28	-

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

18. Intangible assets

Item	Non-patented						Total
	Land use right	technology	Mining right	Software	Trademark	Others	
I. Original book value							
1. As at 31 December 2016	4,420,537,502.37	550,752,059.88	1,110,698,109.92	167,173,746.16	55,851,344.40	105,344,101.71	6,410,356,864.44
2. Increase in current period	63,585,076.94	15,362,623.80	20,761,271.71	14,050,638.30	2,184,332.40	4,559,835.65	120,503,778.80
(1) Purchase	43,385,646.14	750,000.00	20,761,271.71	11,421,568.51	-	11,740.00	76,330,226.36
(2) Internal R&D	-	2,966,729.34	-	1,223,844.33	-	-	4,190,573.67
(3) Increase due to business merger	6,254,000.00	-	-	-	-	-	6,254,000.00
(4) Assessment appreciation	13,945,430.80	-	-	-151,710.60	-	-	13,793,720.20
(5) Others (exchange rate)	-	11,645,894.46	-	1,556,936.06	2,184,332.40	4,548,095.65	19,935,258.57
3. Decrease in current period	7,854,041.60	23,693,093.06	-	1,424,282.29	-	-	32,971,416.95
(1) Disposal	3,413,897.19	23,693,093.06	-	1,424,282.29	-	-	28,531,272.54
(2) Transferred to investment properties	4,440,144.41	-	-	-	-	-	4,440,144.41
4. As at 30 June 2017	4,476,268,537.71	542,421,590.62	1,131,459,381.63	179,800,102.17	58,035,676.80	109,903,937.36	6,497,889,226.29
II. Accumulated amortization							
1. As at 31 December 2016	690,983,345.45	278,199,710.81	388,864,169.64	97,516,396.57	21,946,276.16	42,038,362.15	1,519,548,260.78
2. Increase in current period	50,011,685.35	28,882,435.68	33,181,100.94	12,274,909.60	2,421,623.62	5,862,938.12	132,634,693.31
(1) Provision	49,973,642.02	25,128,070.35	33,181,100.94	11,130,407.78	2,173,902.85	3,740,748.87	125,327,872.81
(2) Increase due to business merger	38,043.33	-	-	-	-	-	38,043.33
(3) Others (exchange rate)	-	3,754,365.33	-	1,144,501.82	247,720.77	2,122,189.25	7,268,777.17
3. Decrease in current period	4,247,940.76	15,275,100.84	-	397,916.52	-	-	19,920,958.12
(1) Disposal	3,744,824.41	15,275,100.84	-	397,916.52	-	-	19,417,841.77
(2) Transferred to investment properties	503,116.35	-	-	-	-	-	503,116.35
4. As at 30 June 2017	736,747,090.04	291,807,045.65	422,045,270.58	109,393,389.65	24,367,899.78	47,901,300.27	1,632,261,995.97
III. Impairment provision							
1. As at 31 December 2016	19,390,044.28	40,246,108.28	8,929,703.09	16,344.49	-	3,384,400.00	71,966,600.14
2. Increase in current period	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
3. Decrease in current period	-	-	-	6,539.90	-	-	6,539.90
(1) Disposal	-	-	-	6,539.90	-	-	6,539.90
4. As at 30 June 2017	19,390,044.28	40,246,108.28	8,929,703.09	9,804.59	-	3,384,400.00	71,960,060.24
IV. Book value							
1. Book value as at 30 June 2017	3,720,131,403.39	210,368,436.68	700,484,407.96	70,396,907.93	33,667,777.02	58,618,237.09	4,793,667,170.07
2. Book value as at 31 December 2016	3,710,164,112.64	232,306,240.79	712,904,237.19	69,641,005.10	33,905,068.24	59,921,339.56	4,818,842,003.52

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For the six months ended 30 June 2017

(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 (Continued)

(2) Land use right without ownership certificate

Item	Book value	Book value	Reason
	as at 30 June 2017	as at 31 December 2016	
Land occupied by Wuhai Xishui	3,089,641.94	3,127,192.41	In progress
Land use right of Sinoma Chuzhou Cement Liangshan Industrial Park in Nanzheng County, Hanzhong City, Shaanxi Province	3,077,276.71	3,149,603.71	In progress
Land of Sinoma Science & Technology (Chengdu) Co., Ltd.	5,838,046.84	5,900,782.36	In progress
Land use right of Jiangsu Solar Energy	8,111,843.66	8,274,823.49	In progress
Land use right of Pingliang Qilianshan	4,585,533.24	4,649,666.60	In progress
Land use right of Xiahe Qilianshan Anduo Company	3,171,325.31	3,411,993.42	In progress
	9,144,156.48	9,254,326.96	In progress
Total	37,017,824.18	37,768,388.95	-

(3) See VI.63 Assets with title restrictions in the Notes for details of intangible assets pledged for borrowings as at 30 June 2017.

19. Development expenditures

Item	As at 31 December 2016	Increase in current period		Decrease in current period		As at 30 June 2017
		Expenditure of internal development	Others	Amount recognized as intangible assets	Amount transferred to current profit or loss	
Management Platform Software V1.0 for demander of saving energy and environmental power	-	1,162,565.92	-	1,162,565.92	-	-
Sensible heat recycle device of gas ascension pipe	-	61,278.41	-	61,278.41	-	-
Secret-associated Project of Sinoma Science & Technology	94,528,632.86	184,278,364.61	-	2,966,729.34	148,206,246.61	127,634,021.52
Joint Study on Preparation Technology of Inorganic Anti-pollution Flashover hydrophobic Coat of Sinoma Advanced Materials	6,775,864.02	-	-	-	6,775,864.02	-
Technical Development of Cylinder-Head DC 530KN Suspension Porcelain Insulator of Sinoma Advanced Materials	5,287,921.35	-	-	-	5,287,921.35	-
Waterproof Layer Project of Sinoma Advanced Materials	-	1,131,933.21	-	-	-	1,131,933.21
zl2015-03 Fiber Layer of Sinoma Advanced Materials	-	1,470,830.77	-	-	-	1,470,830.77
Independent Project 2017 of Sinoma Advanced Materials	-	316,074.63	-	-	316,074.63	-
Study on the key Technologies for Industrialisation of Oversize Ceramic Bearing Balls with Silicon Nitride for the Wind Power Generation of Sinoma Advanced Materials	-	30,935.04	-	-	30,935.04	-
Total	106,592,418.23	188,451,982.59	-	4,190,573.67	160,617,041.65	130,236,785.50

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For the six months ended 30 June 2017

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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 2016	Increase in current period		Decrease in current period		As at 30 June 2017
		Formed by business combination	Others	Disposal	Others	
Anhui Jieyuan Environmental Protection Technology Co., Ltd.	704,880,065.68	-	-	-	-	704,880,065.68
HAZEMAG & EPR GmbH	474,040,473.70	-	28,727,366.54	-	-	502,767,840.24
LNV Technology Pvt. Ltd.	57,764,891.11	-	-	-	-	57,764,891.11
Pradhan Mercantile Pvt. Ltd.	3,976,332.05	-	102,542.30	-	-	4,078,874.35
Sinoma Dingyuan Ecological Fertilizer Co., Ltd.	-	625,167.56	-	-	-	625,167.56
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
Wuhai Xishui Cement Co., Ltd.	4,577,989.16	-	-	-	-	4,577,989.16
Tianshui Huajian Concrete Engineering Co., Ltd.	1,002,082.33	-	-	-	-	1,002,082.33
Shandong Taishan Composite Materials Co., Ltd.	22,867,669.65	-	-	-	-	22,867,669.65
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
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
Jiugang (Group) Hongda Building Materials Co., Ltd.	21,987,055.06	-	-	-	-	21,987,055.06
Yongdeng Qilianshan Cement Co., Ltd.	17,916,741.21	-	-	-	-	17,916,741.21
Longnan Qilianshan Cement Co., Ltd.	15,070,549.46	-	-	-	-	15,070,549.46
Tianshui Qilianshan Cement Co., Ltd.	10,260,776.72	-	-	-	-	10,260,776.72
Gansu Gulangxia Cement Co., Ltd.	7,220,241.61	-	-	-	-	7,220,241.61
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
Lanzhou Qilianshan Concrete Engineering Co., Ltd.	2,157,744.42	-	-	-	-	2,157,744.42
Tianshui Qilianshan Cement Sales Co., Ltd.	484,569.34	-	-	-	-	484,569.34
Total	1,974,323,665.41	625,167.56	28,829,908.84	-	-	2,003,778,741.81

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For the six months ended 30 June 2017

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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	Increase in current period		Decrease in current period		As at
	31 December 2016	Charge amount	Others	Disposal	Others	30 June 2017
HAZEMAG & EPR GmbH	124,263,094.20	-	-	-	-	124,263,094.20
LNV Technology Pvt. Ltd.	57,764,891.11	-	-	-	-	57,764,891.11
Yixing Tianshan Cement Co., Ltd.	10,582,608.53	-	-	-	-	10,582,608.53
Wuhai Xishui Cement Co., Ltd.	4,577,989.16	-	-	-	-	4,577,989.16
Gansu Qilianshan Cement Group Co., Ltd.	70,652,923.19	-	-	-	-	70,652,923.19
Gansu Qilianshan Building Materials Holdings Co., Ltd.	32,260,514.41	-	-	-	-	32,260,514.41
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
Gansu Gulangxia Cement Co., Ltd.	7,220,241.61	-	-	-	-	7,220,241.61
Honggu Qilianshan Cement Co., Ltd.	3,253,374.14	-	-	-	-	3,253,374.14
Tianshui Qilianshan Cement Sales Co., Ltd.	484,569.34	-	-	-	-	484,569.34
Total	442,126,682.41	-	-	-	-	442,126,682.41

21. Long-term prepayments

Item	As at 31 December 2016	Increase in current period	Amortization in current period	Other decrease in current period	As at 30 June 2017
Project agency fee (Note)	63,856,771.09	43,826,338.00	23,025,606.48	-	84,657,502.61
Compensation fees	348,261,478.88	29,081,442.91	18,514,151.68	-	358,828,770.11
Construction cost	47,939,239.42	4,808,852.09	5,984,807.62	-	46,763,283.89
Improvement expenditures of fixed assets	14,822,017.28	8,506,120.32	3,070,359.29	-	20,257,778.31
House decoration cost	16,002,992.36	882,882.87	2,253,123.04	-	14,632,752.19
Quarry site stripping fee	42,552,455.63	-	5,589,004.90	-	36,963,450.73
Handling charge for Letter of Guarantee	46,173,496.98	19,386,717.16	11,658,262.05	-	53,901,952.09
Reconstruction cost of environmental protection area	55,551,264.77	1,180,000.00	728,149.52	-	56,003,115.25
Others	49,831,017.07	10,694,761.48	9,448,542.93	-	51,077,235.62
Total	684,990,733.48	118,367,114.83	80,272,007.51	-	723,085,840.80

Note: 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 amortizes the fees in construction cost within the benefit period of the agency fees (project construction period) by using straight-line method.

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

22. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets without offsetting

Item	As at 30 June 2017		As at 31 December 2016	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	2,829,321,550.17	510,283,721.41	2,747,165,327.85	483,553,957.16
Unrealized profit of internal sales	987,763,180.70	251,935,684.50	1,008,131,098.65	253,931,705.54
Deferred income	192,646,790.01	32,635,140.42	200,137,392.90	33,892,227.95
Depreciation of fixed assets	293,774,785.70	48,030,688.45	278,781,687.86	45,440,130.36
Employee benefits	272,351,850.16	50,224,988.23	306,813,559.34	56,629,794.57
Special reserve	21,885,641.09	4,013,824.65	22,286,266.68	4,073,918.49
Special payables	33,959,409.71	5,093,911.46	33,959,409.71	5,093,911.46
Provisions	223,133,895.82	43,306,154.11	218,235,568.37	40,432,054.38
Estimated value of trading financial instruments and derivative financial instruments	382,380.92	118,117.47	2,562,715.43	791,622.80
Accruals of expenses	107,102,664.94	16,065,399.74	95,124,838.17	14,268,725.72
Assessment depreciation	49,563,467.77	12,390,866.91	71,850,500.94	17,962,625.24
Amortization of intangible assets	42,973,650.09	6,446,047.52	42,781,061.35	6,417,159.20
Non-deductible losses	298,099,146.32	82,334,570.34	286,764,297.54	78,282,015.53
Total	5,352,958,413.40	1,062,879,115.21	5,314,593,724.79	1,040,769,848.40

(2) Deferred income tax liabilities without offsetting

Item	As at 30 June 2017		As at 31 December 2016	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Estimated value of trading financial instruments and derivative financial instruments	-	-	-	-
Changes in fair value of available-for-sale financial assets included in other comprehensive income	3,206,874,387.37	762,343,814.26	2,087,106,021.52	503,141,889.88
Assessment appreciation	1,156,349,578.09	258,212,915.97	1,180,008,516.32	261,131,718.74
Others	1,397,378.56	349,344.64	1,450,331.88	362,582.97
Total	4,364,621,344.02	1,020,906,074.87	3,268,564,869.72	764,636,191.59

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

23. Other non-current assets

Item	As at 30 June 2017	As at 31 December 2016
Temporary facility	93,453,556.10	97,469,981.66
Factory relocation project	39,244,221.87	39,147,337.52
Prepayment for land use right	30,285,200.00	27,291,000.00
Others	3,563,523.23	4,964,190.75
Total	166,546,501.20	168,872,509.93

24. Short-term borrowings

(1) Classification

Category	As at 30 June 2017	As at 31 December 2016
Pledged borrowings	311,690,416.37	10,000,000.00
Mortgaged borrowings	280,000,000.00	304,000,000.00
Guaranteed borrowings	2,750,700,000.00	3,439,840,000.00
Credit borrowings	7,955,510,058.35	7,590,856,714.05
Total	11,297,900,474.72	11,344,696,714.05

Note: See VI.63 Assets with title restrictions in the Notes for details of pledged/mortgaged assets for borrowings.

(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 2017	As at 31 December 2016
Financial liabilities held for trading	382,380.92	2,562,715.43
Including: forward foreign exchange contract	382,380.92	2,562,715.43
Total	382,380.92	2,562,715.43

26. Bills payable

Category	As at 30 June 2017	As at 31 December 2016
Bank acceptance bills	3,992,614,694.65	4,235,223,582.60
Commercial acceptance bills	42,925,447.79	28,877,510.29
Total	4,035,540,142.44	4,264,101,092.89

Notes to the Consolidated 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)

27. Accounts payable

(1) Accounts payable

Account age	As at 30 June 2017	As at 31 December 2016
Within 1 year	9,099,934,520.83	9,024,486,899.30
1-2 years	2,220,735,024.10	2,106,666,048.91
2-3 years	636,285,505.38	930,368,139.26
Over 3 years	1,155,625,920.27	722,602,910.13
Total	13,112,580,970.58	12,784,123,997.60

(2) Significant accounts payable aged over 1 year

Name	As at 30 June 2017	Reasons for not repaying or carrying forward
Changzhou Hongfa Zongheng Advanced Materials Technology Co.,Ltd.	48,434,933.01	Settlement period undue
Sichuan Dongshu New Material Co., Ltd	37,363,611.67	Settlement period undue
Shanghai Yingjiu Chemical New Material Co.,Ltd	34,195,485.15	Settlement period undue
Beijing Yueji Industry Co., Ltd.	31,819,805.80	Settlement period undue
Henan Installation Group Co.,Ltd.	23,977,722.35	Settlement period undue
Total	175,791,557.98	-

28. Accounts received in advance

(1) Accounts received in advance

Account age	As at 30 June 2017	As at 31 December 2016
Within 1 year	8,916,779,989.22	7,473,131,637.35
1-2 years	2,913,035,971.45	1,605,223,008.83
2-3 years	815,955,011.16	459,254,937.36
Over 3 years	441,088,105.65	777,508,984.09
Total	12,464,456,684.08	10,315,118,567.63

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

Name	As at 30 June 2017	Reasons for not repaying or carrying forward
DANGOTE CEMENT PLC,IBESE	693,073,863.40	Unsettled
Syria Cement Company	193,720,376.15	Unsettled
United Cement Group	187,363,785.99	Unsettled
Algeria BISKRIA Cement Co., Ltd.	182,925,007.63	Unsettled
Algeria BC Cement Co., Ltd.	177,818,485.82	Unsettled
Total	1,434,901,518.99	-

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

29. Employee benefits Payable

(1) Classification

Item	As at 31 December 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Short-term remuneration	796,452,311.81	2,474,359,163.20	2,665,503,048.58	605,308,426.43
Post-employment benefits – defined contribution plan	29,079,431.06	267,767,097.26	256,172,912.14	40,673,616.18
Termination benefits	27,923,755.58	12,642,722.46	24,878,876.95	15,687,601.09
Total	853,455,498.45	2,754,768,982.92	2,946,554,837.67	661,669,643.70

(2) Short-term remuneration

Item	As at 31 December 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Salary, bonus, allowance and subsidy	566,931,535.97	2,027,911,998.39	2,235,156,816.40	360,701,603.84
Staff welfare	5,469,060.40	97,761,746.56	98,355,853.60	4,874,953.36
Social security	10,300,625.96	142,737,813.89	138,834,012.72	14,204,427.13
Including: medical insurance	7,295,301.59	120,271,381.54	116,612,508.91	10,954,174.22
Work-related injury insurance	2,096,773.22	14,915,530.79	14,826,989.57	2,185,314.45
Maternity insurance	908,551.15	7,550,901.56	7,394,514.24	1,064,938.47
Housing funds	17,273,048.94	138,245,120.90	139,505,372.44	16,012,797.40
Labor union funds & personnel education funds	185,588,935.15	46,653,395.04	34,254,412.15	197,987,918.04
Others	10,889,105.39	21,049,088.42	19,396,581.27	11,526,726.66
Total	796,452,311.81	2,474,359,163.20	2,665,503,048.58	605,308,426.43

(3) Defined contribution plan

Item	As at 31 December 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Basic pension	22,654,363.74	244,813,948.75	233,731,208.64	33,737,103.85
Unemployment insurance expense	6,113,394.47	12,496,066.09	11,876,018.38	6,733,442.18
Enterprise annuity	311,672.85	10,457,082.42	10,565,685.12	203,070.15
Total	29,079,431.06	267,767,097.26	256,172,912.14	40,673,616.18

30. Taxes Payable

Item	As at 30 June 2017	As at 31 December 2016
Value-added tax (VAT)	209,953,312.72	193,539,781.87
Business tax	6,470,841.46	11,737,302.78
Corporate income tax	319,795,598.48	271,542,782.45
Individual income tax	27,216,165.80	14,006,603.46
City maintenance and construction tax	13,305,567.16	11,850,699.80
Resource tax	35,644,549.32	32,064,589.02
Property tax	18,357,858.75	18,420,142.19
Land use tax	29,843,689.12	29,741,408.93
Education surcharge	11,229,772.51	10,570,173.28
Mineral resources compensation	5,725,746.71	7,735,294.44
Others	13,601,589.19	15,976,027.57
Total	691,144,691.22	617,184,805.79

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

31. Interests payable

Item	As at 30 June 2017	As at 31 December 2016
Interest on long-term borrowings for which interest to be paid in installment, principal to be paid when due	8,184,222.44	15,194,724.13
Interest on bonds	308,962,086.78	225,876,446.55
Interest on short-term borrowings	5,621,010.90	4,309,205.64
Interest on long-term borrowings	6,665,692.67	2,051,914.95
Total	329,433,012.79	247,432,291.27

32. Dividends payable

(1) Details

Item	As at 30 June 2017	As at 31 December 2016
Ordinary share dividend	234,972,984.29	132,117,503.90
Total	234,972,984.29	132,117,503.90

(2) Dividends distribution of the Company

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

33. Other payables

(1) Classification of other payables by nature

Nature	As at 30 June 2017	As at 31 December 2016
Project fund and quality guarantee deposit	29,714,039.00	33,705,230.95
Performance bond	118,078,538.63	171,556,702.95
Bid bond	179,343,403.43	102,892,216.36
Deposit	232,753,812.86	127,979,597.97
Employee housing subsidy	3,786,093.23	13,433,509.06
Investment funds	96,109,560.65	55,202,038.52
Agency fund	264,347,467.20	300,099,537.23
Intercourse funds	460,882,957.11	380,695,023.65
Others	407,446,167.38	121,036,230.19
Total	1,792,462,039.49	1,306,600,086.88

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

33. Other payables (Continued)

(2) Significant other payables aged over 1 year

Name	As at 30 June 2017	Reasons for not repaying or carrying forward
Sinoma Trading Corporation Ltd.	83,338,832.38	Intercourse funds unpaid
Hunan Niuli Cement Co., Ltd.	13,000,000.00	Business unsettled
Wenxian Bureau of Finance	9,900,000.00	Post-disaster reconstruction fund
Shaanxi Yaobai Special Cement Co., Ltd.	6,818,390.33	Intercourse funds unpaid
Beijing Liulihe Cement Company Limited	6,801,868.56	Intercourse funds unpaid
Total	119,859,091.27	–

34. Non-current liabilities due within one year

Item	As at 30 June 2017	As at 31 December 2016
Long-term borrowings due within one year	3,347,704,572.30	2,729,072,650.20
Long-term payables due within one year	150,890,889.13	169,344,743.58
Bonds payable due within one year	900,000,000.00	900,000,000.00
Total	4,398,595,461.43	3,798,417,393.78

35. Other current liabilities

(1) Classification

Item	As at 30 June 2017	As at 31 December 2016
Government grants	47,184,703.35	65,072,980.24
Short-term commercial papers	1,900,000,000.00	6,400,000,000.00
Lease payment of sale-leaseback assets due within one year	4,961,121.00	98,491,502.77
Total	1,952,145,824.35	6,563,564,483.01

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

35. Other current liabilities (Continued)

(2) Short-term commercial papers

Name of bills	Par value (RMB100 million)	Date of issue	Term of bills	Amount issued (RMB100 million)	As at 31 December 2016 (RMB100 million)	Amount issued in current period (RMB100 million)	Interest accrued at par value (RMB)	Repayment in current period (RMB100 million)	As at 30 June 2017 (RMB100 million)
16 Sinoma SCP001	3,500.00	2016-5-13	270 days	3,500.00	3,500.00	-	13,832,511.43	3,500.00	-
17 Sinoma SCP001	1,500.00	2017-1-11	90 days	1,500.00	-	1,500.00	14,498,630.14	1,500.00	-
16 Sinoma Engineering SCP001	500.00	2016-7-14	270 days	500.00	500.00	-	4,212,500.00	500.00	-
16 Sinoma Cement CP001	600.00	2016-2-3	365 days	600.00	600.00	-	2,756,712.33	600.00	-
16 Sinoma Cement SCP001	500.00	2016-6-3	270 days	500.00	500.00	-	5,473,972.60	500.00	-
16 Sinoma Cement SCP002	500.00	2016-10-13	270 days	500.00	500.00	-	13,311,643.85	-	500.00
17 Sinoma Cement CP001	500.00	2017-3-1	365 days	500.00	-	500.00	7,042,191.78	-	500.00
16 Taishan Fiberglass CP001	500.00	2016-8-26	365 days	500.00	500.00	-	14,839,041.08	-	500.00
16 Science & Technology SCP003	300.00	2016-10-26	270 days	300.00	300.00	-	6,845,800.00	-	300.00
17 Science & Technology CP001	100.00	2017-4-10	365 days	100.00	-	100.00	920,000.00	-	100.00
Total	8,500.00	-	-	8,500.00	6,400.00	2,100.00	83,733,003.21	6,600.00	1,900.00

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For the six months ended 30 June 2017

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

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

36. Long-term borrowings

Classification	As at 30 June 2017	As at 31 December 2016
Pledged borrowings	33,300,000.00	239,670,000.00
Mortgaged borrowings	2,353,761,120.79	1,958,374,415.10
Guaranteed borrowings	4,365,752,241.12	3,096,323,333.36
Credit borrowings	1,637,675,200.00	1,416,794,755.32
Total	8,390,488,561.91	6,711,162,503.78

Note: See VI.63 Assets with title restrictions in the Notes for details of pledged/mortgaged assets for borrowings.

37. Bonds payable

(1) Classification

Item	As at 30 June 2017	As at 31 December 2016
Medium-term notes	3,600,000,000.00	3,600,000,000.00
Corporate bonds	4,196,816,769.14	1,196,119,409.53
Total	7,796,816,769.14	4,796,119,409.53

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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 (RMB million)	Date of issue	Date of maturity	Amount issued 31 December (RMB million)	As at December 2016 (RMB million)	Amount issued in current period (RMB million)	Interest accrued at par value (RMB dollar)	Amortization of premiums and discounts (RMB dollar)	Repayment in current period (RMB million)	Reclassification at 30 June 2017 (RMB million)	As at 30 June 2017 (RMB million)
15 Sinoma MTN001	2,500.00	2015-8-14	2020-8-14	2,500.00	2,500.00	-	57,000,000.00	-	-	-	2,500.00
17 Sinoma Bond 01	1,500.00	2017-1-16	2022-1-17	1,500.00	-	1,500.00	29,625,000.00	-	-	-	1,500.00
17 Sinoma Bond 02	1,500.00	2017-3-31	2022-4-5	1,500.00	-	1,500.00	17,062,500.00	-	-	-	1,500.00
16 Ningxia Building Materials Bonds	500.00	2016-10-21	2019-10-21	500.00	500.00	-	8,678,082.19	-	-	-	500.00
16 Sinoma Cement MTN001	400.00	2016-11-14	2019-11-14	400.00	400.00	-	9,203,179.10	-	-	-	400.00
16 Taishan Fiberglass Bonds	700.00	2016-9-6	2021-9-6	700.00	696.12	-	20,547,333.33	697,359.61	-	-	696.82
14 Qilianshan MTN001	500.00	2014-8-20	2019-8-20	500.00	500.00	-	16,825,000.00	-	-	-	500.00
15 Qilianshan MTN001	100.00	2015-9-15	2020-9-15	100.00	100.00	-	2,510,000.00	-	-	-	100.00
15 Qilianshan MTN002	100.00	2015-9-15	2020-9-15	100.00	100.00	-	2,510,000.00	-	-	-	100.00
Total	7,800.00	-	-	7,800.00	4,796.12	3,000.00	163,961,094.62	697,359.61	-	-	7,796.82

(1) The Company has issued company bonds amounted to RMB1.5 billion with fixed rate and a tenor of 3 plus 2 years as at 17 July 2017, in which the issuer shall be entitled to adjust the coupon rate at the end of the third year and the investors shall be entitled to sell back the bonds. The coupon rate for the first 3 years is 3.95%. If the issuers do not exercise the entitlement for adjusting the coupon rate, the coupon rate will remain the same for the last 2 years, payable annually. Provision for interest expense amounted to RMB29,625,000.00 during the current period.

(2) The Company has issued company bonds amounted to RMB1.5 billion with fixed rate and a tenor of 3 plus 2 years as at 5 April 2017, in which the issuer shall be entitled to adjust the coupon rate at the end of the third year (5 April 2020) and the investors shall be entitled to sell back the bonds. The coupon rate for the first 3 years is 4.55%. If the issuers do not exercise the entitlement for adjusting the coupon rate, the coupon rate will remain the same for the last 2 years, payable annually. Provision for interest expense amounted to RMB17,062,500.00 during the current period.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

38. Long-term payables

Nature	As at 30 June 2017	As at 31 December 2016
Project agency fee	35,809,897.81	98,268,874.09
Allowance for staff	384,516,093.79	394,986,037.40
Finance lease	212,970,151.56	293,970,167.45
Including: Within 1 year	142,113,420.81	159,715,445.95
1-2 years	70,256,730.75	133,344,334.10
2-5 years	600,000.00	910,387.40
Over 5 years	-	-
Payment for mining concession	19,770,046.88	24,363,972.09
Other items	22,672,330.61	10,115,617.59
Less: long-term payables due within one year	150,890,889.13	169,344,743.58
Total	524,847,631.52	652,359,925.04

39. Long-term employee benefits payable

(1) Classification

Item	As at 30 June 2017	As at 31 December 2016
Net liabilities of post-employment benefits – defined benefit plan	226,392,095.66	219,674,719.67
Termination benefits	35,672,553.38	44,700,000.00
Other long-term benefits	27,704,517.10	27,704,517.10
Total	289,769,166.14	292,079,236.77

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

Item	Six months ended 30 June 2017
As at 31 December 2016	219,674,719.67
Defined benefit cost included in current profits and losses	-
1. Current service cost	-
2. Past service cost	-
3. Settlement gains (losses to be listed with "-")	-
4. Net interest	-
5. Other changes	-
Defined benefit cost included in other comprehensive income	2,524,981.70
1. Actuarial losses (gains to be listed with "-")	2,524,981.70
Other changes	4,192,394.29
1. Liabilities eliminated in settlement	-
2. Paid welfare	-2,161,005.67
3. Others	4,426,323.72
As at 30 June 2017	226,392,095.66

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

40. Special payables

Item	As at 31 December 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Factory relocation of Sinoma Shangrao	104,644,564.82	–	59,923.05	104,584,641.77
YF201107 extended cement research project	7,720,000.00	–	–	7,720,000.00
Research on cement kiln sludge drying and incineration technology and equipment development	4,553,190.85	120,298.55	–	4,673,489.40
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
Cement research project with a daily production of 10,000 tonnes	2,472,382.38	–	–	2,472,382.38
Combustible dangerous materials crusher of the sludge dryer-Keli	2,150,000.00	–	–	2,150,000.00
Special funds for achievement transformation projects of Jiangsu Province	2,000,000.00	–	150,000.00	1,850,000.00
Land compensation for old Xuzhou factory	59,460,000.00	–	–	59,460,000.00
Subsidy for factory relocation of Sinoma (Henan) Environmental Protection Co., Ltd.	29,339,409.71	–	–	29,339,409.71
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	3,335,927.34	–	–	3,335,927.34
Development and industrialization of complete equipment for resourceful treatment and pollution-free disposal of urban solid waste	1,632,700.81	–	122,000.00	1,510,700.81
Comprehensive energy saving reform project for 1# kiln system	6,000,000.00	–	–	6,000,000.00
31 technical reform project	19,100,000.00	–	–	19,100,000.00
Compensation for relocation and resettlement of Sinoma Science & Technology	23,291,000.00	–	–	23,291,000.00
JCW06	13,000,000.00	–	–	13,000,000.00
Innovation capacity building project of Beijing Engineering Lab	4,500,000.00	–	450,000.00	4,050,000.00
WJJG	4,500,000.00	–	–	4,500,000.00
Other items	13,911,709.14	28,336,100.00	21,907,316.47	20,340,492.67
Total	313,168,444.12	28,456,398.55	22,689,239.52	318,935,603.15

41. Provisions

Item	As at 30 June 2017	As at 31 December 2016
Pending litigation	1,865,000.00	1,865,000.00
Tax disputes	–	57,747,109.53
Product quality guarantee	151,169,252.06	154,053,902.92
Others	80,109,122.28	72,937,228.69
Total	233,143,374.34	286,603,241.14

Note: See XIV. 3 in the Notes for details of tax disputes related to Sinoma Cement.

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

42. Deferred income

Item	As at 31 December 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Government grants	836,521,487.72	43,278,347.96	45,128,184.02	834,671,651.66
Unrealized profit or loss of sale-leaseback	-100,985,207.85	5,967,073.28	978,978.56	-95,997,113.13
Total	735,536,279.87	49,245,421.24	46,107,162.58	738,674,538.53

43. Share capital

Item	As at 31 December 2016	Increase (+)/decrease (-) in current period				Subtotal	As at 30 June 2017
		Issue of new shares	Bonus issue	Shares converted from reserve	Others		
Total shares	3,571,464,000.00	-	-	-	-	-	3,571,464,000.00

44. Capital reserve

Item	As at 31 December 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Share premiums	1,478,828,583.08	-	-	1,478,828,583.08
Other capital reserve	4,477,560,968.92	3,949,546.36	-	4,481,510,515.28
Total	5,956,389,552.00	3,949,546.36	-	5,960,339,098.36

45. Other comprehensive income

Item	As at 31 December 2016	Amount for the current period					As at 30 June 2017
		Amount incurred before income tax in current period	Less: amount included in other comprehensive income 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 income that cannot be subsequently reclassified to loss or profit Including: changes arising from re-measurement of net liabilities or net assets of defined benefit plan	-26,096,367.61	-2,524,981.70	-	-782,239.33	-408,825.23	-1,333,917.14	-26,505,192.84
II. Other comprehensive income that may be subsequently reclassified to profit or loss Including: shares of other comprehensive income that may be subsequently reclassified to loss or profit of investee entities under equity method Including: profits and losses from changes in fair value of available-for-sale financial assets	-26,096,367.61	-2,524,981.70	-	-782,239.33	-408,825.23	-1,333,917.14	-26,505,192.84
	1,291,280,959.92	1,182,546,919.68	-	259,201,924.37	783,779,625.84	139,565,369.48	2,075,060,585.76
	-9,017,252.14	206,874.28	-	-	124,621.07	82,253.21	-8,892,631.07
	1,375,248,953.44	1,119,768,365.85	-	259,201,924.37	761,563,618.05	99,002,823.43	2,136,812,571.49
Exchange differences on translation of foreign currency financial statements	-74,958,591.63	62,571,679.55	-	-	22,091,386.72	40,480,292.84	-52,867,204.91
Others	7,850.25	-	-	-	-	-	7,850.25
Total other comprehensive income	1,265,184,592.31	1,180,021,937.98	-	258,419,685.04	783,370,800.61	138,231,452.34	2,048,555,392.92

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For the six months ended 30 June 2017

(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 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Safety production reserve	247,886,109.99	45,447,135.08	33,478,889.03	259,854,356.04
Total	247,886,109.99	45,447,135.08	33,478,889.03	259,854,356.04

47. Surplus reserve

Item	As at 31 December 2016	Increase in current period	Decrease in current period	As at 30 June 2017
Statutory surplus reserve	214,682,338.10	–	–	214,682,338.10
Total	214,682,338.10	–	–	214,682,338.10

48. Undistributed profits

Item	Six months ended 30 June 2017
At the beginning of the period	5,386,133,582.18
Add: net profits attributable to owners of parent company in current period	596,206,675.01
Less: appropriation to statutory surplus reserve	–
Distribution of ordinary share dividends	107,143,920.00
Appropriation to employee benefit fund	1,000,000.00
At the end of the period	5,874,196,337.19

Note: On 26 May 2017, the shareholders meeting of the Company deliberated and approved the profit distribution plan of 2016. The declared dividend for the year ended 31 December 2016 can be RMB 0.03 per share (before tax) as at 31 December 2016 and the total amount is RMB107 million.

49. Operating revenue and costs

Item	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue	Cost	Revenue	Cost
Main operation	24,957,781,805.25	19,200,011,615.07	21,625,314,481.08	17,431,536,075.28
Other operation	148,029,634.25	106,210,194.61	125,953,462.20	92,136,438.95
Total	25,105,811,439.50	19,306,221,809.68	21,751,267,943.28	17,523,672,514.23

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

(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. Taxes and surcharges

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Business tax	–	27,143,206.14
City maintenance and construction tax	57,226,186.66	48,400,479.48
Education surcharge	51,776,907.26	40,407,464.47
Resource tax	20,572,158.26	18,399,331.44
Property tax	56,248,439.83	–
Vehicle and vessel tax	1,845,149.95	–
Land use right tax	55,965,934.50	–
Stamp duty	14,505,060.25	–
Others	19,598,169.16	8,111,763.33
Total	277,738,005.87	142,462,244.86

51. Selling expenses

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Employee benefits	177,478,899.73	169,176,625.06
Depreciation and amortization charges	43,221,508.77	41,199,010.57
Transportation expenses	319,058,835.07	257,478,404.95
Advertisement expenses	12,624,097.48	11,249,262.15
Utilities, energy and power charges	19,101,796.40	23,479,526.71
Unloading expenses	35,142,376.47	35,421,536.16
Rent	6,464,282.02	6,177,767.56
Travel expenses	25,066,189.00	25,273,133.56
Office expenses	3,771,926.73	5,648,251.80
Communication subsidy	1,456,087.17	1,931,482.73
Premium	5,404,237.14	1,263,855.69
Intermediary agency fee	1,125,640.39	11,131,203.29
Business entertainment expenses	13,442,703.84	13,061,168.64
Selling service fees	54,815,401.55	58,997,602.47
Labor expenses	4,612,264.12	5,498,952.97
Packaging charges	187,393,415.00	223,759,585.63
Others	54,430,079.82	31,886,349.04
Total	964,609,740.70	922,633,718.98

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

(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 expenses

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Employee benefits	859,191,572.67	645,383,245.43
Depreciation and amortization	260,082,338.51	249,653,822.04
Inventory loss/gain	8,534,309.11	-338,415.00
Transportation expenses	11,314,128.38	10,499,150.64
Research and development expenses	354,524,467.55	300,593,906.39
Utilities, energy and power charges	18,769,379.58	19,468,332.92
Property management fee	18,133,649.94	18,642,200.34
Maintenance cost of fixed assets	211,961,912.92	147,632,526.20
Intermediary service charge	49,472,863.94	42,320,694.90
Other taxes	-	133,171,303.15
Rent	50,484,015.08	32,739,506.80
Travel expenses	40,113,184.95	34,294,843.79
Office expenses	30,594,974.39	26,504,050.30
Communication subsidy	10,513,834.27	7,381,759.10
Conference expenses	3,357,942.02	3,630,088.26
Premium	22,936,303.26	15,637,934.60
Business entertainment expenses	22,249,304.34	19,239,729.64
Sewage charges	35,746,717.90	30,984,228.17
Labor expenses	29,191,986.16	25,975,318.67
Others	104,780,904.92	97,850,195.78
Total	2,141,953,789.89	1,861,264,422.12

53. Financial expenses

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expenditure	781,112,013.69	855,883,348.29
Including: interests of bank borrowings and other borrowings that must be repaid within 5 years	728,913,516.96	855,883,348.29
Less: interest income	126,652,748.00	67,804,481.06
Add: exchange losses	174,682,620.93	-55,593,550.23
Add: other expenditures	56,161,888.70	49,256,536.24
Total	877,062,771.82	781,741,853.24

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

(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. Asset impairment losses

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Losses of bad debts	52,509,309.80	144,080,847.82
Losses of decline in value of inventories	7,873,420.92	11,582,171.81
Impairment losses of fixed assets	11,900,555.11	2,111,584.62
Impairment losses of intangible assets	–	–
Impairment losses of construction in progress	21,311,451.28	–
Total	93,594,737.11	157,774,604.25

55. Income/(losses) from changes in fair value

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Financial assets held for trading	971,020.36	-1,198,322.60
Including: forward foreign exchange contract	971,020.36	-1,751,000.00
Fund	–	552,677.40
Financial liabilities held for trading	2,257,985.18	-8,001,617.72
Including: forward foreign exchange contract	2,257,985.18	-8,001,617.72
Total	3,229,005.54	-9,199,940.32

56. Investment income

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Long-term equity investment income under the equity method	10,602,203.40	9,706,126.31
Investment income from disposal of long-term equity investment	-34,011.47	5,059,591.11
Investment income from disposal of financial assets at fair value through profit or loss	-130,549.65	3,323,040.71
Investment income from available-for-sale financial assets	3,384,700.00	15,135,358.36
Investment income from disposal of available-for-sale financial assets	486,269.39	486,386.50
Others	464,344.15	326,771.25
Total	14,772,955.82	34,037,274.24

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

(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. Other income

Sources of other income	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Government grants related to normal business activities	209,171,165.00	–
Total	209,171,165.00	–

58. Non-operating income

(1) Details

Item	Six months ended 30 June 2017	Six months ended 30 June 2016	Amount included in current non-recurring profits and losses
Gains on disposal of non-current assets	11,306,458.02	51,274,971.69	11,306,458.02
Including: gains on disposal of fixed assets	11,256,788.57	38,675,856.77	11,256,788.57
Gains on disposal of intangible assets	–	11,430,000.00	–
Gains on debt restructuring	2,523,845.78	1,197,613.30	2,523,845.78
Government grants	50,243,815.79	239,052,988.13	50,243,815.79
Default compensation	5,256,612.25	5,722,099.55	5,256,612.25
Other gains	13,946,793.42	14,303,132.14	13,946,793.42
Total	83,277,525.26	311,550,804.81	83,277,525.26

(2) Details of government grants

Item	Six months ended 30 June 2017	Six months ended 30 June 2016	Asset-related/ income-related
1. Tax refunds	7,048,058.43	107,552,876.74	Income-related
2. Transfer-in of deferred income	15,233,309.42	34,792,420.06	Asset-related
3. Special grants and bonus	27,962,447.94	96,707,691.33	Income-related
Total	50,243,815.79	239,052,988.13	

59. Non-operating expenses

Item	Six months ended 30 June 2017	Six months ended 30 June 2016	Amount included in current non-recurring profits and losses
Losses on disposal of non-current assets	60,273,294.56	13,989,729.59	60,273,294.56
Including: losses on disposal of fixed assets	60,159,028.66	8,210,584.01	60,159,028.66
Losses on disposal of intangible assets	–	5,705,919.77	–
Losses on debt restructuring	78,150.60	229,170.77	78,150.60
Donation	1,271,798.95	4,248,353.44	1,271,798.95
Inventory losses	441,349.09	18,204.35	441,349.09
Abnormal losses	163,875.69	110,578.02	163,875.69
Compensation penalties	6,579,205.74	5,403,762.86	6,579,205.74
Others	7,492,193.89	8,825,503.77	7,492,193.89
Total	76,299,868.52	32,825,302.80	76,299,868.52

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For the six months ended 30 June 2017

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

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

60. Income tax expenses

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Current income tax expense	434,430,701.07	528,810,590.43
Deferred income tax expense	-24,259,068.57	-291,662,843.34
Total	410,171,632.50	237,147,747.09

61. Other comprehensive income

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

62. Items of cash flow statement

(1) Supplementary information of consolidated cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,268,609,735.04	428,133,674.44
Add: provision for impairment of assets	93,594,737.11	157,774,604.25
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	1,804,267,881.05	1,773,477,948.34
Amortization of intangible assets	127,122,588.25	130,753,099.74
Amortization of long-term prepayments	80,272,007.51	86,434,547.68
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains to be listed with "-")	49,022,868.70	-37,285,242.10
Losses on retirement of fixed assets (gains to be listed with "-")	-	-
Profits and losses of changes in fair value (gains to be listed with "-")	-3,229,005.54	9,199,940.32
Financial expenses (gains to be listed with "-")	781,112,013.69	914,409,371.34
Investment loss (income to be listed with "-")	-14,772,955.82	-34,037,274.24
Decrease of deferred income tax assets (increase to be listed with "-")	-21,327,027.48	-7,229,577.85
Increase of deferred income tax liabilities (decrease to be listed with "-")	-2,932,041.09	-284,433,265.49
Decrease of inventory (increase to be listed with "-")	-381,133,147.88	178,990,765.39
Decrease of operating receivables (increase to be listed with "-")	-2,043,873,555.53	-234,482,235.04
Increase of operating payables (decrease to be listed with "-")	1,098,423,071.77	-1,028,864,422.84
Others	-	-
Net cash flows from operating activities	2,835,157,169.78	2,052,841,933.94
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:		
Cash at the end of the period	16,916,828,463.06	16,473,200,823.84
Less: Cash at the beginning of the period	15,503,449,822.74	12,951,276,987.11
Add: Cash equivalents at the end of the period	-	-
Less: Cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	1,413,378,640.32	3,521,923,836.73

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For the six months ended 30 June 2017

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

62. Items of cash flow statement (Continued)

(2) Cash and cash equivalents

Item	Amount for the current period	Amount for the previous period
Cash	16,916,828,463.06	16,473,200,823.84
Including: cash on hand	146,208,807.86	86,634,140.14
Bank deposit available for payments at any time	16,766,413,640.84	16,377,371,946.70
Other monetary funds available for payment at any time	4,206,014.36	9,194,737.00
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	16,916,828,463.06	16,473,200,823.84
Including: cash and cash equivalents with limited use of the parent company or subsidiaries of the Group	-	-

63. Assets with title restrictions

Item	Book value as at 30 June 2017	Reasons
Monetary funds	2,761,750,596.45	See VI. 1 in the Notes for details
Bills receivable	1,094,862,799.29	See VI. 3 in the Notes for details
Accounts receivable	48,490,065.68	Bank pledge
Long-term equity investment	1,272,374,100.00	Pledge of share rights of HAZEMAG and Hami Tianshan
Fixed assets	5,007,155,960.34	Mortgage of fixed assets for borrowings
Intangible assets	373,584,295.01	Mortgage of intangible assets for borrowings

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

64. Monetary items in foreign currency

Item	Foreign currency as at 30 June 2017	Conversion exchange rate	RMB (Equivalent) as at 30 June 2017
Monetary funds			
Including: cash			
USD	16,488,825.19	6.7744	111,701,897.37
EUR	11,680.20	7.7496	90,516.85
JPY	120.03	0.0605	7.26
HKD	401.07	0.8679	348.10
ETB	6,498,117.37	0.2941	1,910,849.39
IDR	3,718,171,071.10	0.0005	1,889,955.21
IQD	323,767,256.90	0.0058	1,877,850.09
NGN	75,461,824.23	0.0222	1,674,172.53
EGP	3,456,569.08	0.3739	1,292,283.75
SAR	531,251.51	1.8065	959,709.40
EHR	1,074,722.51	0.7367	791,726.72
VND	1,845,765,545.55	0.0003	550,047.47
OMR	27,636.76	17.5867	486,039.71
XOF	38,065,835.79	0.0118	449,716.98
MYR	184,561.36	1.5918	293,784.78
AED	492,778.46	0.5422	267,159.84
TZS	43,705,809.76	0.0030	132,084.51
EAR	202,794.91	0.5264	106,748.76
Others	-	-	14,565,412.30
Cash in bank			
USD	875,881,721.39	6.7744	5,933,573,133.39
EUR	195,068,890.44	7.7496	1,511,705,873.35
GBP	107,378.56	8.8144	946,477.58
JPY	15,428,447.88	0.0605	933,189.67
HKD	326,591.06	0.8679	283,454.91
EGP	1,894,488,132.45	0.3739	708,279,271.77
RUB	1,420,672,604.78	0.1142	162,242,060.73
INR	733,231,065.40	0.1048	76,820,298.94
IDR	133,291,033,595.31	0.0005	67,752,149.91
NGN	3,019,344,511.06	0.0222	66,986,236.96
DZD	916,569,105.66	0.0629	57,607,284.86
AED	97,371,005.84	0.5422	52,789,690.82
ETB	139,283,555.45	0.2941	40,958,000.88

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

64. Monetary items in foreign currency (Continued)

Item	Foreign currency as at 30 June 2017	Conversion exchange rate	RMB (Equivalent) as at 30 June 2017
SAR	20,484,271.71	1.8065	37,004,973.41
VND	73,150,340,260.18	0.0003	21,799,171.45
IQD	1,717,161,406.90	0.0058	9,959,536.16
ZMK	10,773,777.27	0.7367	7,936,827.67
OMR	336,899.51	17.5867	5,924,953.36
XQF	500,365,273.49	0.0118	5,911,409.93
MYR	3,686,293.26	1.5918	5,867,841.61
ZAR	10,739,039.92	0.5264	5,652,899.24
TZS	1,490,693,595.05	0.0030	4,505,065.44
Others	–	–	110,431,309.36
Other monetary funds			
Including: USD	12,754,114.02	6.7744	86,401,470.00
EUR	24,744,441.74	7.7496	191,759,525.72
NGN	200,816,516.88	0.0222	4,455,252.70
AED	170,109.75	0.5422	92,225.00
Accounts receivable			
Including: USD	130,516,390.85	6.7744	884,170,238.15
EUR	53,360,519.46	7.7496	413,522,681.63
JPY	20,808,310.99	0.0605	1,258,590.69
SAR	94,246,773.01	1.8065	170,257,423.75
IDR	115,925,668,702.42	0.0005	58,925,293.57
INR	414,955,778.98	0.1048	43,474,735.99
MYR	3,026,652.22	1.5918	4,817,825.01
Others	–	–	188,329.14
Other receivables			
Including: USD	69,284,563.50	6.7744	469,361,347.00
EUR	1,887,023.71	7.7496	14,623,678.96
HKD	1,560,842.27	0.8679	1,354,686.22
INR	550,735,292.27	0.1048	57,700,296.38
ALL	377,215,990.80	0.0585	22,059,841.23
LAK	15,830,142,817.70	0.0008	13,415,375.27
IDR	22,026,591,331.42	0.0005	11,196,168.85
EGP	9,202,236.25	0.3739	3,440,376.89

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

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

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

64. Monetary items in foreign currency (Continued)

Item	Foreign currency as at 30 June 2017	Conversion exchange rate	RMB (Equivalent) as at 30 June 2017
SAR	1,440,449.55	1.8065	2,602,181.72
MYR	966,289.93	1.5918	1,538,140.31
NGN	38,125,848.92	0.0222	845,848.21
DZD	2,574,649.50	0.0629	161,904.76
NPR	1,696,848.18	0.0653	110,817.78
Others	-	-	173,991.12
Accounts payable			
Including: USD	31,869,235.69	6.7744	215,894,950.27
EUR	101,625,567.26	7.7496	787,557,496.06
JPY	13,054,674,666.21	0.0605	789,611,997.19
HKD	48,995.81	0.8679	42,524.44
SAR	32,776,690.75	1.8065	59,211,310.35
INR	363,680,947.04	0.1048	38,102,694.21
IDR	72,446,698,851.55	0.0005	36,824,829.62
MYR	5,036,935.68	1.5918	8,017,794.21
NPR	102,977,127.74	0.0653	6,725,231.41
NGN	52,028,000.27	0.0222	1,154,277.01
Others	-	-	2,891.12
Other payables			
Including: USD	1,587,803.87	6.7744	10,756,418.52
EUR	952,369.11	7.7496	7,380,479.69
INR	520,179,538.65	0.1048	54,498,983.40
NGN	23,343,106.92	0.0222	517,882.90
SAR	204,898.99	1.8065	370,151.40
Short-term borrowings			
USD	292,429.80	6.7744	1,981,036.47
EUR	4,354,272.75	7.7496	33,743,872.10
INR	13,833,929.78	0.1048	1,449,374.79
SAR	27,999,726.18	1.8065	50,581,692.00
Long-term borrowings			
Including: EUR	32,333,381.42	7.7496	250,570,772.65
IDR	1,085,910.31	0.1048	113,770.35
Total	-	-	13,849,625,347.58

Notes to Unaudited Financial Statements

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

VII. CHANGES IN CONSOLIDATION SCOPE

1. Business combinations not under common control

(1) Business combinations not under common control during the period

Name of acquiree	Time point of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Mode of equity acquisition	Date of acquisition	Basis for determining the date of acquisition	Income of acquiree from the date acquisition to the end of the period	Net profit of acquiree from the date acquisition to the end of the period
Sinoma Dingyuan Ecological Fertilizer Co., Ltd.	28 February 2017	34,155,900.00	51.00	Cash contribution	28 February 2017	Transfer of control	-	-747,946.28

(2) Cost of combinations and goodwill

Items	Sinoma Dingyuan Ecological Fertilizer Co., Ltd.
Cash	34,155,900.00
Fair value of non-cash assets	-
Fair value of issued or assumed debt	-
Fair value of issued equity securities	-
Fair value of the contingent consideration	-
Fair value of the shares held prior to the date of acquisition	-
Total cost of combination	34,155,900.00
Less: Fair value share of identifiable net assets acquired	33,530,732.44
Goodwill/cost of combinations is less than the amount of the fair value share of the identifiable net assets acquired	625,167.56

2. Business combinations under common control

No business combination under common control incurred in the Group during the current period.

3. Disposal of subsidiaries

Name of subsidiaries	Price of equity disposal	Proportion of equity disposal (%)	Mode of equity disposal	Time point of loss of control	Basis for determining time point of loss of control	Difference between the consideration received and the corresponding proportion of the subsidiary's net assets
Zhuzhou Sinoma Concrete Co., Ltd.	117,903.20	100%	Transfer of equity	As at 31 May 2017	Transfer of assets completed	76,344.76
Lujiang Changshan Chaoite Mining Co., Ltd.	500.00	100%	Transfer of equity	As at 26 May 2017	Change of business registration completed	51,962.17

VII. CHANGES IN CONSOLIDATION SCOPE (Continued)**4. Changes in consolidation scope for other reasons**

The changes in the consolidation scope of the Group are mainly attributable to the establishment of new subsidiaries or the cancellation of subsidiaries.

VIII. 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 subsidiaries	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) Significant non-wholly-owned subsidiaries

Name of subsidiaries	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
Xinjiang Tianshan Cement Co., Ltd.	64.51	16,454,740.29	20,437,907.40	3,876,699,224.73
Ningxia Building Materials Group Co., Ltd.	52.44	59,383,882.72	10,030,709.92	2,201,708,168.62
Xiamen ISO Standard Sand Co., Ltd.	49.00	7,004,873.85	12,250,000.00	35,285,457.33
Sinoma Science & Technology Co., Ltd.	39.76	148,519,725.35	36,891,169.58	2,006,081,015.69
Sinoma Advanced Materials Co., Ltd.	0.54	25,382.85	-	-8,198,976.92
Sinoma Jinjing Fiber Glass Co., Ltd.	49.09	-17,783,305.23	-	44,371,154.20
Gansu Qilianshan Building Materials Holdings Co., Ltd.	49.00	8,810,878.66	-	303,940,158.81

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For the six months ended 30 June 2017

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

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

Name of subsidiaries	As at 30 June 2017 (RMB million)						As at 31 December 2016 (RMB million)					
	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.	24,605.18	6,028.13	30,633.32	19,999.11	3,024.19	23,023.29	22,002.55	527,490.12	2,853,513.13	2,001,079.97	173,014.08	2,174,094.05
Xinjiang Tianshan Cement Co., Ltd.	4,162.06	14,858.68	19,020.74	9,103.06	2,991.30	12,094.36	3,440.40	1,610,316.99	2,053,036.64	1,085,236.91	224,385.16	1,309,622.07
Ningxia Building Materials Group Co., Ltd.	3,207.25	5,019.75	8,227.00	3,007.78	622.89	3,630.68	2,617.11	559,497.64	776,639.65	230,491.65	102,056.26	332,547.91
Xiamen ISO Standard Sand Co., Ltd.	69.41	9.75	79.16	7.15	-	7.15	79.92	1,244.25	10,590.34	749.02	-	749.02
Sinoma Science & Technology Co., Ltd.	9,144.12	12,571.56	21,715.68	9,480.56	3,649.37	13,129.93	8,434.81	1,095,640.67	1,870,044.72	990,950.58	257,079.67	1,248,030.25
Sinoma Advanced Materials Co., Ltd.	1,202.76	853.53	2,056.29	1,158.99	163.63	1,322.62	1,171.79	90,779.56	185,859.21	104,823.28	20,222.15	125,045.43
Sinoma Jinjing Fiber Glass Co., Ltd.	551.14	601.91	1,153.05	685.56	378.73	1,064.29	451.18	50,536.54	98,710.65	62,914.02	12,000.00	74,914.02
Gansu Qilianshan Building Materials Holdings Co., Ltd.	2,491.63	8,232.89	10,724.52	2,973.38	1,846.81	4,820.19	2,567.63	883,399.03	1,122,468.68	321,659.73	220,325.47	541,985.20

(Continued)

Name of subsidiaries	Six months ended 30 June 2017 (RMB million)				Six months ended 30 June 2016 (RMB million)			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Sinoma International Engineering Co., Ltd.	8,841.39	447.28	514.42	572.92	8,561.64	312.75	349.58	679.43
Xinjiang Tianshan Cement Co., Ltd.	2,597.01	14.46	182.48	407.63	1,993.09	-139.48	-181.47	298.83
Ningxia Building Materials Group Co., Ltd.	2,033.14	132.91	132.91	537.71	1,425.06	-29.19	-29.21	139.54
Xiamen ISO Standard Sand Co., Ltd.	42.03	14.30	14.30	17.19	34.59	14.28	14.28	11.89
Sinoma Science & Technology Co., Ltd.	4,478.60	395.26	395.05	360.73	3,792.67	280.47	276.89	281.54
Sinoma Advanced Materials Co., Ltd.	673.39	4.82	4.82	-10.32	572.95	29.52	29.52	46.01
Sinoma Jinjing Fiber Glass Co., Ltd.	61.92	-35.57	-35.57	41.46	86.80	-41.69	-41.69	17.10
Gansu Qilianshan Building Materials Holdings Co., Ltd.	2,605.31	172.44	155.68	597.88	2,052.08	-55.11	-135.32	476.79

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For the six months ended 30 June 2017

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VIII. INTERESTS IN OTHER ENTITIES (Continued)

2. Interest in joint ventures or associates

(1) Significant joint ventures or associates

Name	Main premise	Registration		Shareholding proportion (%)		Accounting treatment methods for investment in joint ventures or associates
		place	Nature of business	Direct	Indirect	
Joint ventures						
Taishan Fiberglass South Africa (PTY) Ltd.	South Africa	South Africa	Production and sales of fiberglass products	50.00	–	Equity method
Associates						
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Nanjing	Nanjing	Production	20.59	–	Equity method
Sinoma Group Finance Co., Ltd.	Beijing	Beijing	Finance	30.00	–	Equity method

(2) Main financial information of significant joint ventures

Item	As at 30 June 2017/ For the six months ended 30 June 2017 Taishan Fiberglass South Africa (PTY) Ltd.	As at 31 December 2016/ For the six months ended 30 June 2016 Taishan Fiberglass South Africa (PTY) Ltd.
	Current assets:	17,900,656.30
Including: cash and cash equivalents	1,326,519.46	500,504.09
Non-current assets	7,536,829.39	7,348,672.34
Total assets	25,437,485.69	23,693,253.59
Current liabilities	14,212,210.15	15,019,649.50
Non-Current liabilities	601,484.99	573,934.33
Total liabilities	14,813,695.13	15,593,583.83
Minority interests	–	–
Equity attributable to shareholders of the parent company	10,623,790.55	8,099,669.76
Shares of net assets calculated as per the shareholding proportion	4,610,421.81	3,348,361.41
Adjustments		
– Goodwill	–	–
– Unrealized profit of internal transaction	–	–
– Others	–	–
Book value of the equity investment in associates	4,610,421.81	3,348,361.41
Fair value of equity investment in associates with public offer	–	–
Operating revenue	7,399,123.69	8,849,704.78
Financial expenses	-633,292.44	-131,495.24
Income tax expenses	–	–
Net profit	2,110,372.24	1,479,550.40
Net profit of terminated operation	–	–
Other comprehensive income	413,748.55	-7,373,160.17
Total comprehensive income	2,524,120.79	-5,893,609.77
Dividends received from associates in current period	–	–

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VIII. 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 2017/ For the six months ended 30 June 2017		As at 31 December 2016/ For the six months ended 30 June 2016	
	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:	73,255,877.13	4,263,496,545.86	72,309,340.82	6,525,829,723.73
Including: cash and cash equivalents	11,061,943.57	4,246,394,500.29	15,448,974.78	6,247,597,112.37
Non-current assets	26,105,712.03	2,013,030,589.74	24,437,900.08	1,889,551,694.43
Total assets	99,361,589.16	6,276,527,135.60	96,747,240.90	8,415,381,418.16
Current liabilities:	6,374,944.47	5,644,493,365.31	6,495,330.44	7,806,568,535.76
Non-Current liabilities	1,614,866.23	-	774,866.23	-
Total liabilities	7,989,810.70	5,644,493,365.31	7,270,196.67	7,806,568,535.76
Minority interests	74,200.35	-	74,204.68	-
Equity attributable to shareholders of the parent company	91,297,578.12	632,033,770.29	89,402,839.55	608,812,882.40
Shares of net assets calculated as per the shareholding proportion	18,798,171.33	189,231,511.56	18,408,044.67	182,643,864.72
Adjustments				
- Goodwill	-	-	-	-
- Unrealized profit of internal transaction	-	-	-	-
- Others	-	-	-	-
Book value of equity investment in joint ventures	20,194,249.17	189,231,511.56	20,047,709.50	182,265,245.19
Fair value of equity investment in joint ventures with public offer	-	-	-	-
Operating revenue	5,574,592.86	79,732,961.10	22,714,082.11	54,773,720.80
Financial expenses	-11,275.37	-	-509,553.55	-
Income tax expenses	127,457.64	11,227,927.47	138,084.29	8,921,965.16
Net profit	1,255,468.61	31,820,887.89	782,002.35	27,671,138.08
Net profit of terminated operation	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	1,255,468.61	31,820,887.89	782,002.35	27,671,138.08
Dividends received from joint ventures	-	2,580,000.00	-	1,560,000.00

VIII. 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 2017/ For the six months ended 30 June 2017	As at 31 December 2016/ For the six months ended 30 June 2016
Associates:		
Total book value of investment	42,138,668.94	29,714,457.70
Total amount of following items according to shareholding proportion		
– Net profit	-683,504.22	829,548.36
– Other comprehensive income	–	–
– Total comprehensive income	-683,504.22	829,548.36

IX. 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 2017			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				
Financial assets held for trading	5,828,174.40	–	–	5,828,174.40
– Open-end monetary fund	5,828,174.40	–	–	5,828,174.40
(II) Available-for-sale financial assets	3,641,280,577.35	–	–	3,641,280,577.35
Equity instrument investment	3,641,280,577.35	–	–	3,641,280,577.35
Total amount of assets continuously measured at fair value	3,647,108,751.75	–	–	3,647,108,751.75
(I) Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	382,380.92	–	382,380.92
– Forward foreign exchange contract	–	382,380.92	–	382,380.92
Total amount of liabilities continuously measured at fair value	–	382,380.92	–	382,380.92

2. Basis for determination of market prices of items subject to continuous and non-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 qualitative and quantitative information about key parameters of items subject to continuous and non-continuous level 2 fair value measurement

The evaluation technique of financial assets held for trading 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 all industries.

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Relationship of related parties

1. Controlling shareholder

- (1) Controlling shareholder

Controlling shareholder	Registration place	Nature of business	Registered capital (RMB million)	Proportion of shareholding in the company (%)	Proportion of voting right in the company (%)
China National Materials Group Corporation Ltd.	Xicheng District, Beijing	Investment management	1,887.48	41.84	41.84

- (2) Registered capital of the controlling shareholder and changes

Controlling shareholder	As at 31 December 2016 (RMB million)	Increase in current period	Decrease in current period	As at 30 June 2017 (RMB million)
China National Materials Group Corporation Ltd.	1,887.48	–	–	1,887.48

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

Controlling shareholder	Amount of shareholding		Proportion of shareholding (%)	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
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 "VIII. 1. (1) Group composition" in the Notes.

3. Joint ventures and associates

For details of significant joint ventures and associates of the Company, please refer to contents of "VIII. 2 (1) Significant associates and joint ventures" in the Notes. Other 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
Taishan Fiber glass South Africa (PTY) Ltd.	Joint venture
Sinoma Group Finance Co., Ltd.	Associate
Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Associate

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(I) Relationship of related parties (Continued)****4. Other related parties**

Names	Relationship
Changde Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guizhou Tianxing Standard Sand Supply Station	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hanzhong Sinoma Energy Saving and Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hubei Sinoma Standard Sand Sales Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiancai Guangzhou Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiancai Tianshui Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder and ultimate controller
Kuqa Sinoma Energy Saving and Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Luoding Hualei Mining Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Nantong Wanda Boiler Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Ningxia Building Materials Yinchuan Institute of Geological Engineering Survey	Other enterprise controlled by the same controlling shareholder and ultimate controller
Shandong Building Materials Research Institute of Surveying and Mapping	Other enterprise controlled by the same controlling shareholder and ultimate controller
Shenzhen Nanhua Geotechnical Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Suzhou Kaipu Geotechnical Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Toksun Tianshan Building Material and Mining Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Wuhai Sinoma Energy Saving and Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Wuhan Building Material Industry Design & Research Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xianyang Design & Research Institute of Non-metallic Minerals	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xiangtan Sinoma Energy Saving and Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xinjiang Jianhua Industrial Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xinjiang Kaiyuan Hotel	Other enterprise controlled by the same controlling shareholder and ultimate controller

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

Names	Relationship
Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xinjiang Tianshan Building Materials Group Refractory Material Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xinjiang Tianshan Building Materials Group Casting Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xinjiang Tianshan Building Materials Industrial Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yinchuan Anpu Security Technology Consulting Center	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yunan Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yunfu Sinoma-EC Cogeneration Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sinoma-EC (Wuhan) Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sinoma Energy Conservation Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China Kaolin Clay Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation	Other enterprise controlled by the same controlling shareholder and ultimate controller
Anhui Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Gansu Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guangdong Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangsu Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Ningxia Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Qinghai Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xinjiang Team of Geological Survey Center of China Building Materials Industry	Other enterprise controlled by the same controlling shareholder and ultimate controller
China National Materials Industry Import & Export Corporation	Other enterprise controlled by the same controlling shareholder and ultimate controller
Anhui Guangde Hongshan South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Anhui Guangde South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Anhui Langxi South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(I) Relationship of related parties (Continued)****4. Other related parties (Continued)**

Names	Relationship
Anhui Ruitai Science & Technology Kiln Construction and Installation Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Anhui Ruitai New Material Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Anhui Tianzhu Green Energy Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Anji South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Bayan Nur Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Bengbu Zhongheng New Material Science & Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Beijing Glass Fiber Research & Design Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Beijing Triumph International Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Beijing Zhongbei Kiln Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Beijing Zhongyanyi Engineering Technology Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Bijie Saide Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Chongzuo South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Dafang Yonggui Building Materials Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Dengzhou Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Dongping Meijing Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Emeishan Jiahua Special Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Emeishan Qianghua Special Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Feixi South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Fumin Jinrui Cement Building Material Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guangde Dushan South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guangde Xinhang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guangxi Jinli Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guangyuan Gaoli Cement Industrial Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guzhou Huishui Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

Names	Relationship
Guizhou Qingzhen Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guizhou Ruixi Cement Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guizhou Sandu Runji Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guizhou Sinan Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guizhou Xingyi Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guizhou Ziyun Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Guizhou Zunyi Jian'an Concrete Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Harbin Ropv Industrial Development Center	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hangzhou Shanya South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hefei Gutai Automation Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hefei Cement Research & Design Institute	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hefei Zhongya Environmental Protection Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hefei Zhongya Building Material Equipment Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Henan Ruitai Refractory Material Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Heilongjiang Binzhou Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Anren South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Changde South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Hengnan South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan South Cement Group Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Ningxiang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Shaofeng South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Taojiang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Hunan Zhangjiajie South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Huzhou Baixian South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(I) Relationship of related parties (Continued)****4. Other related parties (Continued)**

Names	Relationship
Huzhou Huaikan South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Huzhou Meishan South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Huzhou South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Huzhou South Logistics Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Huaihua Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Huidong Lisen Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Jining Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Jiyuan Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangsu Liyang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangsu Xushe South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangsu Yangxian South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangsu Yichang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Anfu South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Fengcheng South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Jinyi Concrete Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Jiujiang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Nancheng South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Pingxiang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Shanggao South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Pingxiang Xinjiyuan Concrete Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Taihe South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Xingguo South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Yongfeng South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

Names	Relationship
Jiangxi Yushan South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jingang (Group) Baishan Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Liaoyuan Weijin Jingang Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Liuan South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Luoyang Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Malong Tianheng Industrial Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Nanjing Kisen International Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Ningguo Kaiyuan Electrical Power Wear Resistant Materials Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Pingxiang Jinyi Concrete Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Qinhuangdao Glass Industry Research & Design Institute	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Qingzhou Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Shandong Lucheng Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Shanghai Shenjian Cement Equipment Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Shaoyang South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Shijiazhuang Jiahua Special Engineering Materials Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Chengshi Tianying Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Coal Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Ebian Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Emeishan Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Guoda Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Hongya Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Huaying Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Jiahua Jinping Special Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Junlian Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(I) Relationship of related parties (Continued)****4. Other related parties (Continued)**

Names	Relationship
Sichuan Lisen Building Materials Group Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Erlangshan Labahe Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Haoyu Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Nvwa Building Materials Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan zhaodi Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Wangcang Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Ya'an Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sichuan Ziyang Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Concrete Tai'an Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Tai'an Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Taishan Plaster (Liaoning) Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Taishan Plaster (Wenzhou) Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Taishan Plaster Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Taishan Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Taishan Tai'an CO., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Wengyuan Zhongyuan Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Weng'an Yushan Cement (Factory) Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Ulangab Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Wuhu South Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Wuhe Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xi'an Triumph International Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Xichuan Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Xishui Side Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Xin'an Wanji Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Xintai Taifeng Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller

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For the six months ended 30 June 2017

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

4. Other related parties (Continued)

Names	Relationship
Yangzhou Zhongke Semiconductor Lighting Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yingkou Zhongfu Lianzhong Composites Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yunnan Qingjiang Huarong Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yunnan Lijiang Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yunnan Mangshi Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Yunnan Shizong Mingchi Cement Manufacturing Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zaozhuang Gaize Furnace Engineering Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Changsha Huajian Concrete Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhejiang Jinhua Southern Jianfeng Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhejiang Zhongxin New Material Development Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhengshou Ruitai Refractory Technologies Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sinoma Trading Corporation Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sinoma Science and Development Center Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Sinoma Synthetic Crystals Research Institute Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhongfu LianZhong (Hami) Composite Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhongfu LianZhong (jiuquan) Composite Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhongfu LianZhong (Yuxi) Composite Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China Building Material International Engineering Co., Ltd	Other enterprise controlled by the same controlling shareholder and ultimate controller
China National Building Material Equipment Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China National Building Material Group Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(I) Relationship of related parties (Continued)****4. Other related parties (Continued)**

Names	Relationship
China Building Material Test & Certification Group Co., Ltd	Other enterprise controlled by the same controlling shareholder and ultimate controller
China Building Materials Academy	Other enterprise controlled by the same controlling shareholder and ultimate controller
China United Cement Corporation	Other enterprise controlled by the same controlling shareholder and ultimate controller
CNBM (Hefei) Powder Technology Equipment Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
CNBM (Hefei) Environment and Resources Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
CNBM (Hefei) Electrical and Mechanical Engineering Technology Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
CNBM International Trading Co., Ltd	Other enterprise controlled by the same controlling shareholder and ultimate controller
CNBM International Equipment Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
China National Building Materials & Equipment Import & Export Corporation	Other enterprise controlled by the same controlling shareholder and ultimate controller
Chongqing Xiushan Southwest Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhuzhou Jianxing Concrete Co., Ltd	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zhuzhou Zinong Concrete Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zunyi Hengju Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Zunyi Saide Cement Co., Ltd.	Other enterprise controlled by the same controlling shareholder and ultimate controller
Jiangxi Saiwei LDK Solar Energy High-tech Ltd.	Other related party
Jiangxi Yiyuan Insulator Co., Ltd.	Other related party
Nanjing Tongtian Science & Technology Industrial Co., Ltd.	Other related party
Qinghai Kunlunshan Mining Development Co., Ltd.	Other related party
Tongda Refractory Technologies Co., Ltd.	Other related party

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For the six months ended 30 June 2017

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X. 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 2017	Six months ended 30 June 2016
I. Associates and joint ventures	Procurement of goods Receiving services	-	-
II. Other enterprise controlled by the same controlling shareholder and ultimate controller	Procurement of goods Receiving services	261,130,051.52	171,293,546.33
III. Other related parties	Procurement of goods Receiving services	15,774,525.23	1,769,466.52
Total		276,904,576.75	173,063,012.85

(2) Selling goods/rendering services

Related party	Content of related party transaction	Six months ended 30 June 2017	Six months ended 30 June 2016
I. Associates and joint ventures	Selling commodity Provision of service	8,188,711.88	136,444.87
II. Other enterprise controlled by the same controlling shareholder and ultimate controller	Selling commodity Provision of service	278,911,848.18	5,402,719.65
III. Other related parties	Selling commodity Provision of service	36,604,555.58	69,835,406.12
Total		323,705,115.64	75,374,570.64

2. Leasing with related parties

(1) As Lessor

Lessor	Lessee	Type of leased assets	Recognized leasing income for the six months ended 30 June 2017	Recognized leasing income for the six months ended 30 June 2016
Sinoma International Trading (Beijing) Co., Ltd.	Sinoma Group Finance Co., Ltd.	Premises and buildings	-	550,700.00
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Premises and buildings	978,557.28	1,174,268.71
Nanjing Fiberglass Research & Design Institute Co., Ltd.	Nanjing Chunhui Science and Technology Industrial Co., Ltd.	Platinum	16,540.80	-

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transaction (Continued)

2. Leasing with related parties (Continued)

(2) As Lessee

Lessor	Lessee	Type of leased assets	Recognized Lease fee for the six months ended 30 June 2017	Recognized Lease fee for the six months ended 30 June 2016
Sinoma Zhuzhou Hongbo Co., Ltd.	Sinoma Technical Service Co., Ltd.	Premises and buildings	126,984.15	200,000.00
Beijing Glass Fiber Research & Design Institute Co., Ltd.	Beijing Composite Materials Co., Ltd.	Premises and buildings	2,975,158.45	1,190,000.00
Beijing Glass Fiber Research & Design Institute Co., Ltd.	Sinoma Wind Power Blade Co., Ltd.	Premises and buildings	217,116.00	40,080.00
Beijing Glass Fiber Research & Design Institute Co., Ltd.	Beijing Sinoma Composite Auto Parts Co., Ltd.	Premises and buildings	19,056.02	27,310.63
Beijing Glass Fiber Research & Design Institute Co., Ltd.	Sinoma Science & Technology Co., Ltd.	Platinum	59,279.44	-
Beijing Zhongbei Kiln Technology Company	Sinoma Science & Technology Co., Ltd.	Premises and buildings	546,818.00	341,761.00
Sinoma Synthetic Crystals Research Institute Co., Ltd.	Beijing Sinoma Synthetic Crystals Co., Ltd.	Premises and buildings	145,945.92	156,648.65
Sinoma Synthetic Crystals Research Institute Co., Ltd.	Beijing Tiandi Dongfang Superhard Materials Co., Ltd.	Premises and buildings	82,252.68	91,533.72

3. Capital lending between related parties

Item	As at 30 June 2017	From	To	Interest rate
Deposit in Sinoma Group Finance Co., Ltd.	3,723,288,709.16			
Borrowing from Sinoma Group Finance Co., Ltd.	130,000,000.00	2016-8-4	2017-8-4	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	200,000,000.00	2016-10-17	2017-10-17	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2016-10-24	2017-10-24	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	50,000,000.00	2016-11-22	2017-11-22	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2016-12-28	2017-12-28	4.13%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2016-12-29	2017-12-29	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	360,000,000.00	2016-12-29	2017-12-29	4.13%
Borrowing from Sinoma Group Finance Co., Ltd.	150,000,000.00	2017-1-19	2018-1-19	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	10,000,000.00	2017-2-27	2018-2-27	4.13%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2017-3-28	2018-3-28	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	100,000,000.00	2017-3-31	2018-3-31	4.13%
Borrowing from Sinoma Group Finance Co., Ltd.	110,000,000.00	2017-4-5	2018-4-5	4.13%
Borrowing from Sinoma Group Finance Co., Ltd.	140,000,000.00	2017-4-10	2018-4-10	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	30,000,000.00	2017-5-10	2018-5-10	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	200,000,000.00	2017-6-28	2018-6-28	4.35%
Borrowing from Sinoma Group Finance Co., Ltd.	60,000,000.00	2017-6-29	2018-6-29	4.35%

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Amounts due from/to related parties

1. Receivables

Item	Related party	As at 30 June 2017		As at 31 December 2016	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	I. Parent company				
Other receivables		382,688.27	19,134.41	382,688.27	19,134.41
	II. Associates and joint ventures				
Accounts receivable		7,945,907.22	397,016.02	10,798,070.10	539,617.46
Other receivables		248,464.75	-	769,375.46	-
	III. Other enterprise controlled by the same controlling shareholder and ultimate controller				
Accounts receivable		220,150,580.56	39,681,235.06	29,928,152.54	24,286,536.50
Other receivables		45,223,880.12	31,906,889.39	30,302,489.39	29,064,984.62
Prepayment		54,960,846.57	-	64,298,683.84	-
	IV. Other related parties				
Accounts receivable		39,705,063.08	1,985,253.15	31,784,234.27	1,765,068.72
Other receivables		1,094,349.99	174,590.00	1,094,349.99	54,717.50
Prepayment		20,771,463.49	-	-	-

2. Payables

Item	Related party	As at 30 June 2017	As at 31 December 2016
	I. Parent company		
Other Payables		82,800.00	82,800.00
	II. Associates and joint ventures		
Accounts Received in Advance		12,900.00	18,467.60
Other Payables		379,144.00	379,144.00
	III. Other enterprise controlled by the same controlling shareholder and ultimate controller		
Accounts payable		199,719,803.57	181,614,676.25
Accounts received in advance		35,737,296.23	1,162,108.00
Other Payables		102,523,964.70	101,621,556.04
	IV. Other related parties		
Accounts payable		5,818,482.00	7,920,955.86
Accounts received in advance		-	24,120.00
Other Payables		-	68,827.21

XI. CONTINGENCIES**(I) Saudi Arabia tax matters**

In 2011, the local tax authority of Saudi Arabia carried out regular tax assessment on Saudi branch of Sinoma International (hereinafter referred to as Saudi Branch), a second-level company of the Group, in terms of the tax payment of Saudi Branch in the period 2006-2008. On 20 November 2014, Saudi Branch received an assessment report from Saudi Arabia Tax Authority. According to the report, Saudi 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 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 Branch. Saudi Branch, therefore, decided to make an appeal to the High Tax Appeal Committee. To meet the appeal conditions, during the Reporting Period, the Group has provided a bank guarantee amounting to SAR 68,454,303.00 and submitted a formal appeal report.

In November 2016, Saudi Branch received correspondence and relevant lists of supplementary tax payment from Saudi Arabia Tax Authority. It was informed to pay income tax and withholding tax (SAR 44,933,098.60 of income tax and SAR 32,109,933.00 of withholding tax) from 2009 to 2010, SAR 77,043,031.60 (approximately equal to RMB 140 million) in total. In addition, according to the tax law of Saudi Arabia, Saudi Branch may need to pay fine of 1% per 30 days if its appeal fails. Saudi Branch has made an appeal to the Saudi Arabian tax bureau.

The Group believes that the appeal can be justified. However, since there are uncertainties in the process of appeal, the Group could not reasonably predict the final result and amount of the contingency as at the date of approval of the financial statements.

(II) Other arbitration and litigation matters

1. On 23 April 2012, Lvliang Lvyuan Building Material Co., Ltd. (hereinafter referred to as "Lvliang Lvyuan") and Sinoma Technology & Equipment Group Co., Ltd. (hereinafter referred to as "Sinoma-Tec Group"), a third-level company of the Group, signed a Cooperation Agreement on Annual Production of 300 Thousand Tons of Steel Slag Line New Project of Lvliang Lvyuan Building Material Co., Ltd. and a series of Equipment Procurement Agreements, stating that Sinoma-Tec Group provides Lvliang Lvyuan with steel slag vertical mills, equipment related to steel slag grinding mill production line and technical management consulting and that Lvliang Lvyuan pays for the equipment and technical consulting fees. On 17 May 2012 and 16 September 2013, both parties signed supplementary agreements on project cooperation. Both parties' fulfillment of the contracts is qualified through completion acceptance. On 26 November 2014, Lvliang Lvyuan appealed to Lvliang Intermediate People's Court against Sinoma-Tec Group for the reason that the equipment provided by Sinoma-Tec Group is difficult achieving the contract objectives due to its serious defects, requested for dissolution of Cooperation Agreement, Equipment Procurement Agreements and so on between them and asked the defendant to compensate RMB20,000,000 for the economic loss. Lvliang Intermediate People's Court officially began substantive trial procedure. The plaintiff applied for accreditation of quality of the products, and the accrediting body has been entrusted. On 28 June 2017, the first session of the first instance was completed, and no judgment has yet been made.
2. On 15 March 2013, CBMI Construction Co., Ltd. (hereinafter referred to as "CBMI Construction"), a third-level company of the Group, signed the EPC Contract of 5000 t/d CUFA Production Line Phase I of Hulun Buir Shengwei Technology Industrial Co., Ltd. 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 2014, 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 RMB102,414,900.00 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 RMB828,000.00 of liquidated damages and RMB50,000,000 of indemnity to it. The court has decided an amalgamated hearing of this case and the counterclaim. In September 2015, Shengwei Technology applied for three juridical identifications for construction costs, building projects quality and product quality in terms of this case. Due to complexity of this case, until the date of approval of the financial statements, this case is under the juridical identification procedure.

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XI. CONTINGENCIES (Continued)

(III) Guarantees

As at 30 June 2017, the balance of guarantees still valid at the end of the Reporting Period of the Group was approximately RMB8,808 million.

(IV) Other contingencies

Sinoma International, a second-level company of the Group, had acquired 100% equity of Anhui Jieyuan and signed the Performance Compensation Agreement with former shareholders (including Xu Xidong, Zhang Ximing, Jiang Guirong, Xuan Hong and Zhang Ping) of Anhui Jieyuan, Anhui Haihe New Energy Investment Co., Ltd., Anhui Henghai Investment Center LP (hereinafter referred to as compensation obligors) in 2015. The compensation obligors promised that the accumulated net profit of Anhui Jieyuan attributable to its parent company in 2015, 2016 and 2017 shall not be less than RMB300,000,000.00 (commitment value). In the three-year-long Commitment Period of 2015, 2016 and 2017, where Sinoma International makes capital investment with its own capital, the net profit shall be an amount that the net profit of Anhui Jieyuan attributable to the parent company subtracts the cost of invested capital. Where the actual net profit of Anhui Jieyuan is less than the commitment value, the compensation obligors shall make compensation to Sinoma International as agreed in the Performance Compensation Agreement.

XII. COMMITMENTS

Significant commitments

As at 30 June 2017, the significant commitment contracts signed but unpaid of the Group amounted to RMB561,908,559.89. See the contents below for details:

(Unit: RMB)

Project	Contract amount	Paid amount	Unpaid amount	Expected investment period
Wuhai Xishui – Energy Conservation Technical Improvement Project of Cement Milling System	80,000,000.00	1,387,600.00	78,612,400.00	2017
2x500,000 m ³ /a Commercial Concrete Mixing Plant Phase I of Qingtongxia Concrete	42,002,000.00	15,423,900.00	26,578,100.00	2017
Taiyangshan 1,200,000 t/a Aggregate Production Line Project of Qingtongxia Cement	46,840,000.00	26,363,700.00	20,476,300.00	2017
F04 Project	1,093,040,000.00	1,015,370,000.00	77,670,000.00	2016.03-2017.03
F05 Project	447,190,000.00	270,120,000.00	177,070,000.00	2016.11-2017.12
240,000,000 m ² /A Lithium Membrane Production Line Project	378,742,800.00	297,783,600.00	80,959,200.00	2016.03-2018.12
80,000 t/a Alkali-free Glass Fiber Production Line Technical Improvement Project	272,929,352.91	172,386,793.02	100,542,559.89	2016.06-2020.07
Total	2,360,744,152.91	1,798,835,593.02	561,908,559.89	-

There is no other significant commitment for the Group to disclose as at 30 June 2017, except for the commitments above.

XIII. EVENTS AFTER BALANCE SHEET DATE

Tianshan Cement, a second-level company of the Group, was the transferee of subscribed capital contribution options (with RMB0) of Xinjiang New Energy (Group) Environmental Development Co., Ltd., which were held by Xinjiang New Energy (Group) Co., Ltd. and the Environmental Protection Technology Consultant Centre of Xinjiang Uygur Autonomous Region, respectively, and signed an agreement in relation to the transfer of capital contribution options of Xinjiang New Energy (Group) Environmental Development Co., Ltd. at 23 June 2017. Subsequent to the above transfer, Tianshan Cement will held 34% of Environmental Development Co., Ltd in aggregate, representing an amount of RMB51,000,000.00 of capital contribution. As at 14 July 2017, Tianshan Cement made a capital contribution of RMB20,400,000.00 to Xinjiang New Energy (Group) Environmental Development Co., Ltd.

XIV. OTHER SIGNIFICANT MATTERS**1. Correction and effect of prior period errors**

None.

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

As at 30 June 2017, 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 47,310,000.00 and USD239,390,000.00. Amount received accumulated to USD 30,270,000.00. 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 issue of Sinoma Cement

In December 2016, Sinoma (Hanjiang) Cement Co., Ltd. (hereinafter referred to as "Sinoma Hanjiang"), a third-level company of the Group received the HTGST [2016] No. 07 notice on tax matters from Hanzhong Municipal Office, SAT. It cancelled Sinoma Hanjiang's qualification since November 2013 to benefit from VAT rebate of resource comprehensive utilization product and labor and tax-free policy. And the VAT of RMB57,747,109.53 rebated from November 2013 to August 2016 has been returned. In December 2016, Sinoma Hanjiang submitted a request for administrative reconsideration to the Hanzhong Municipal Office, SAT, requesting the withdrawal of the Notice on Tax Matters of Han (2016) No. 07, and provided tax guarantee by mortgaging machinery and equipment. On 12 April 2017, Sinoma Hanjiang obtained the Administrative Reconsideration Decision issued by the Hanzhong Municipal Office, SAT (HGSFJZ [2017] No. 1). The decision considers that the Notice shall be revoked due to unclear facts and insufficient evidence. Based on the decision, the Group had reversed the estimated liabilities of RMB 57,747,109.53 recognised in 2016 and increased the Group's total profit in 2017 by RMB57,747,109.53.

4. Recognition of the representative office in Indonesia

In June 2016, Indonesia Jakarta Tax Authority issued a notice on identifying the representative office of Tianjin Cement Design & Research Institute Co., Ltd. (a third-level company of the Group) in Indonesia (hereinafter referred to as "representative office in Indonesia") as a permanent establishment. According to the Indonesia tax law, a permanent establishment shall pay withholding tax in terms of the goods it exports to Indonesia, which shall account for 4% of the export revenue. The Tianjin Design & Research Institute Co., Ltd. has signed USD170 million EP contract with local PT.SEMEN BATURAJA. If it is considered as a permanent establishment, 4% of the contract amount is involved in withholding tax. According to the bilateral tax agreement between Indonesia and China, the Group reasonably believes that the representative office in Indonesia does not meet the conditions for a permanent establishment in Indonesia. Until the date of approval of the financial statements, the representative office in Indonesia has been undergoing the investigation by local Indonesia tax authority and the Group has not received any notice to pay tax.

5. The relocation compensation for Tianshan Cement Cangfanggou Premise

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 (production areas of No. 1 and No. 2 Factories) of Tianshan Manufacturing, a subsidiary of Tianshan Cement (a second-level company of the Group) in No. 242, Shuinchang Street, Cangfanggou Road, Urumqi would be relocated in whole. Pursuant to documents such as the Notice on Implementation Rules of Removal of Polluting Enterprises from Central Urban Area of Urumqi Municipality (WZB [2012] No. 233), Tianshan Cement signed the Relocation Compensation Agreement of Cangfanggou Premise with Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. which has obtained the development right of the land through government bid, auction and listing. Total amount of compensation of the relocation is RMB1,132,040,600.00, including RMB278,767,600.00 of land compensation, RMB609,539,700.00 of compensation of above-ground buildings and equipment and RMB243,733,300.00 of compensation for personnel resettlement.

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For the six months ended 30 June 2017

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

XIV. OTHER SIGNIFICANT MATTERS (Continued)

5. The relocation compensation for Tianshan Cement Cangfanggon Premise (Continued)

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 government of the autonomous region (XZH [2013] No. 214) shall be followed. Supplementary development of municipal roads and traffic infrastructure of Cangfanggou Premise shall be provided. Tianshan Cement performed relocation and delivered the assets step by step. Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd. followed the relocation principles above and gradually received assets in the relocation range. In accordance with the relocation plan and principles above, the assets in the relocation range should be delivered in six years (i.e. 2014-2019). As at 30 June 2017, the accumulated amount received for the first three phases was RMB 553,806,911.28.

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

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

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

(2) Financial information about reportable segments in current period

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

Item	Cement equipment and engineering services		High-tech materials	Others	Offset	Total
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Operating revenue	9,914.61	10,470.74	5,250.69	19.95	550.18	25,105.81
Including: external transaction revenue	9,407.10	10,469.44	5,229.27	-	-	25,105.81
Inter-segment transaction revenue	507.51	1.30	21.42	19.95	550.18	-
Operating costs	8,329.28	7,695.51	3,802.65	-	521.22	19,306.22
Expenses for the period	928.72	1,920.84	958.18	195.83	19.94	3,983.63
Total profit	635.88	764.74	455.88	100.09	277.81	1,678.78
Total assets	32,595.04	47,902.35	25,004.18	20,363.03	17,999.06	107,865.54
Total liabilities	23,851.48	26,630.36	15,523.98	6,862.83	2,583.78	70,284.87
Supplementary information						
Depreciation and amortization expenses	220.12	1,264.79	556.19	0.67	30.11	2,011.66
Capital expenditures	299.31	881.06	1,510.55	0.59	22.62	2,668.89
Non-cash expenses excluding depreciation and amortization	-	-	-	-	-	-

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

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

1. Other receivables

(1) Classification

Category	As at 30 June 2017				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Other receivables that are individually significant provided for bad debts on individual basis	1,150,000,000.00	98.20	-	-	1,150,000,000.00
Account age portfolio	-	-	-	-	-
Other receivables that are individually insignificant provided for bad debts on individual basis	21,028,449.51	1.80	-	-	21,028,449.51
Total	1,171,028,449.51	100.00	-	-	1,171,028,449.51

Continued

Category	As at 31 December 2016				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Other receivables that are individually significant provided for bad debts on individual basis	1,073,937,371.51	99.81	-	-	1,073,937,371.51
Account age portfolio	-	-	-	-	-
Other receivables that are individually insignificant provided for bad debts on individual basis	2,092,216.62	0.19	-	-	2,092,216.62
Total	1,076,029,588.13	100.00	-	-	1,076,029,588.13

1) Other receivables that are individually significant provided for bad debts on individual basis at the end of the period

Name	As at 30 June 2017			
	Other receivables	Bad debt provision	Provision proportion(%)	Reason for provision
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
Jiangsu Tianshan Cement Group Co., Ltd.	200,000,000.00	-	-	No provision for related party
Sinoma Cement Co., Ltd.	200,000,000.00	-	-	No provision for related party
Sinoma Science & Technology Co., Ltd.	140,000,000.00	-	-	No provision for related party
Sinoma Jinjing Fiber Glass Co., Ltd.	132,000,000.00	-	-	No provision for related party
Sinoma International Engineering Co., Ltd.	48,000,000.00	-	-	No provision for related party
Sinoma Mining Construction Co., Ltd.	30,000,000.00	-	-	No provision for related party
Total	1,150,000,000.00	-	-	

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

XV. 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 30 June 2017	As at 31 December 2016
Loan	373,260,000.00	285,937,371.51
Entrusted loan	788,000,000.00	788,000,000.00
Others	9,768,449.51	2,092,216.62
Total	1,171,028,449.51	1,076,029,588.13

(3) Top five of other receivables

Name	Nature	As at 30 June 2017	Account age	Proportion of total other receivables as at 30 June 2017 (%)	Bad debt provision as at 30 June 2017
Xinjiang Tianshan Cement Co., Ltd.	Entrusted loan	200,000,000.00	within 1 year	17.08	-
Aksu Tianshan Duolang Cement Co., Ltd.	Entrusted loan	200,000,000.00	within 1 year	17.08	-
Jiangsu Tianshan Cement Group Co., Ltd.	Entrusted loan	200,000,000.00	1-2 years	17.08	-
Sinoma Cement Co., Ltd.	Loan	200,000,000.00	1-2 years	17.08	-
Sinoma Science & Technology Co., Ltd.	Entrusted loan	140,000,000.00	1-2 years	11.96	-
Total		940,000,000.00		80.27	-

2. Long-term equity investments

(1) Classification

Item	As at 30 June 2017			As at 31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	14,392,129,030.01	32,298,785.12	14,359,830,244.89	14,392,129,030.01	32,298,785.12	14,359,830,244.89
Investment in joint ventures and associates	1,200,269,708.01	70,614,652.48	1,129,655,055.53	1,164,151,345.69	70,614,652.48	1,093,536,693.21
Total	15,592,398,738.02	102,913,437.60	15,489,485,300.42	15,556,280,375.70	102,913,437.60	15,453,366,938.10

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

XV. 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	Increase in	Decrease in	As at	Provision	Impairment
	31 December 2016	current period	current period	30 June 2017	for impairment in current period	provision as at 30 June 2017
Taishan Fiberglass Inc.	2,307,444,082.72	-	-	2,307,444,082.72	-	-
Ningxia Building Materials Group Co., Ltd.	1,838,436,100.00	-	-	1,838,436,100.00	-	-
Sinoma Cement Co., Ltd.	1,499,714,004.85	-	-	1,499,714,004.85	-	-
Sinoma International Engineering Co., Ltd.	890,993,467.54	-	-	890,993,467.54	-	-
Sinoma Advanced Materials Co., Ltd.	5,588,414,008.12	-	-	5,588,414,008.12	-	-
Sinoma Science & Technology Co., Ltd.	1,466,878,457.52	-	-	1,466,878,457.52	-	-
Xinjiang Tianshan Cement Co., Ltd.	219,735,187.00	-	-	219,735,187.00	-	-
Sinoma Mining Construction Co., Ltd.	125,617,998.26	-	-	125,617,998.26	-	-
Sinoma Jinjing Co., Ltd.	122,126,181.00	-	-	122,126,181.00	-	-
Xiamen ISO Standard Sand Co., Ltd.	332,769,543.00	-	-	332,769,543.00	-	-
Gansu Qilianshan Building Materials Holdings Co., Ltd.	2,307,444,082.72	-	-	2,307,444,082.72	-	32,298,785.12
Total	14,392,129,030.01	-	-	14,392,129,030.01	-	32,298,785.12

(3) Investment in joint ventures and associates

Investee entities	As at	Additional investment	Investment decrease	Investment gain/loss as per equity method	Changes in current period Adjustment			Cash dividends or profits declared to pay	Charge of impairment provision	Others	As at	Provision for
	31 December 2016				of other comprehensive income	Other equity changes	As at 30 June 2017				Impairment as at 30 June 2017	
I. Associate												
Gansu Qilianshan Cement Group Co., Ltd.	932,550,749.33	-	-	23,849,925.48	-	-	-	-	-	-	956,400,674.81	70,614,652.48
Beijing Composite Materials Co., Ltd.	49,335,351.17	-	-	5,302,170.47	-	-	-	-	-	-	54,637,521.64	-
Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-
Sinoma Group Finance Co., Ltd.	182,265,245.19	-	-	9,546,266.37	-	-	-2,580,000.00	-	-	-	189,231,511.56	-
Total	1,164,151,345.69	-	-	38,698,362.32	-	-	-2,580,000.00	-	-	-	1,200,269,708.01	70,614,652.48

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

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

3. Operating revenue and costs

Item	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue	Cost	Revenue	Cost
Main operation	-	-	-	-
Other operation	19,952,834.62	-	37,984,740.33	-
Total	19,952,834.62	-	37,984,740.33	-

4. Investment income

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Long-term equity investment under the cost method	239,204,716.23	161,737,276.33
Long-term equity investment income under the equity method	38,698,362.32	5,136,678.32
Investment income from holding of available-for-sale financial assets	-	6,899,100.02
Investment income from disposal of available-for-sale financial assets	-	-
Investment income from disposal of long-term equity investment	-	776,597,539.82
Total	277,903,078.55	950,370,594.49

XVI. APPROVAL OF FINANCIAL REPORT

This financial report was approved for release by the Board of Directors of the Company on 25 August 2017.

Supplementary information of financial statements**1. Details 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)*, nonrecurring profit and loss of the Group for the six months ended 30 June 2017 is stated as following:

Item	Six months ended 30 June 2017
Profits and losses from disposal of non-current assets	-49,000,848.01
Tax return, reduction and exemption under occasional condition, approval beyond the authority or without official document	3,266,253.00
Government grants included in current profits and losses	50,243,815.79
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	2,445,695.18
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	3,584,725.28
Reversal for impairment provision of receivables subject to separate impairment test	3,457,557.33
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 income or expenditures except the above items	3,254,982.31
Other losses and profits conforming to the definition of non-recurring profit and loss	-
Subtotal	17,252,180.88
Effect of income tax	7,316,966.13
Impact on minority interest income (after-tax)	9,687,003.47
Total	248,211.28

Notes to Unaudited Financial Statements

For the six months ended 30 June 2017

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

XVI. APPROVAL OF FINANCIAL REPORT (Continued)

Supplementary information of financial statements (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 2017 are listed below:

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of the parent company	3.45	0.167	0.167
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	3.45	0.167	0.167

China National Materials Company Limited

25 August 2017

“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
“China Reform”	China Reform Financial Leasing Co., Ltd. (國新融資租賃有限公司)
“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 Material Group Co., Ltd. (中國建材集團有限公司)
“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
“DaLian Rubber & Plastics”	DaLian Rubber & Plastics Machinery Co., Ltd. (大連橡膠塑料機械有限公司)
“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
“Forchn International”	Forchn International Co., Limited
“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
“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
“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
“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
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six months ended 30 June 2017
“RMB”	Renminbi, the lawful currency of the People’s Republic of China

DEFINITIONS

“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
“Sinoma Finance”	Sinoma Group Finance Co., Ltd. (中材集團財務有限公司)
“Sinoma Hanjiang”	Sinoma Hanjiang Cement Co., Ltd. (中材漢江水泥股份有限公司), a subsidiary of the Company
“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”	Tai’an 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
“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
“Yecheng Tianshan”	Yecheng Tianshan Cement Co., Ltd. (葉城天山水泥有限責任公司), a subsidiary of the Company
“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



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