CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2017

Interim Report 中期報告

* For identification only

Financial and Business Highlights

	30 June 2017	31 December 2016	Growth rate
	(RMB in millions)		
Bank balances and cash	**12,553**	10,252	22.4%
Total assets	**348,356**	340,787	2.2%
Equity attributable to equity holders of the Company	**42,557**	41,833	1.7%

	For six months ended 30 June		
	2017	2016	Growth rate
	(RMB in millions)		
Revenue	**53,362**	44,104	21.0%
Profit after taxation	**1,828**	698	162.0%
Profit attributable to equity holders of the Company	**885**	109	711.4%
Net cash flows from operating activities	**5,645**	2,495	126.3%
Sales volume of cement and clinker *(in thousand tonnes)*	**131,542**	136,465	-3.6%
– China United	**30,395**	32,372	-6.1%
– South Cement	**51,628**	53,471	-3.4%
– North Cement	**6,626**	8,307	-20.2%
– Southwest Cement	**41,945**	41,460	1.2%
Commercial concrete sales volume *(in thousand m³)*	**38,266**	34,966	9.4%
– China United	**17,251**	14,401	19.8%
– South Cement	**18,657**	18,533	0.7%
– North Cement	**891**	896	-0.6%
– Southwest Cement	**613**	623	-1.6%
Gypsum board *(in million m²)*	**853**	724	17.8%
Revenue from engineering service *(RMB in millions)*	**3,941**	3,668	7.4%
Rotor blade *(in blade)*	**936**	1,668	-43.9%
Glass fibre yarn (in thousand tonnes)	**634**	561	13.0%
Selling price			
Cement sold by China United *(RMB per tonne)*	**259.3**	181.2	43.1%
Clinker sold by China United *(RMB per tonne)*	**242.8**	142.7	70.1%
Commercial concrete sold by China United *(RMB per m³)*	**300.2**	262.0	14.6%
Cement sold by South Cement *(RMB per tonne)*	**228.7**	183.7	24.5%
Clinker sold by South Cement *(RMB per tonne)*	**220.5**	144.0	53.1%
Commercial concrete sold by South Cement *(RMB per m³)*	**316.8**	287.9	10.0%
Cement sold by North Cement *(RMB per tonne)*	**301.5**	252.5	19.4%
Clinker sold by North Cement *(RMB per tonne)*	**266.6**	195.0	36.7%
Commercial concrete sold by North Cement *(RMB per m³)*	**312.4**	292.7	6.7%
Cement sold by Southwest Cement *(RMB per tonne)*	**243.0**	211.1	15.1%
Clinker sold by Southwest Cement *(RMB per tonne)*	**222.5**	188.8	17.8%
Commercial concrete sold by Southwest Cement *(RMB per m³)*	**267.9**	260.1	3.0%
Gypsum board			
– BNBM *(RMB per m²)*	**6.11**	5.94	2.9%
– Taishan Gypsum *(RMB per m²)*	**4.23**	3.88	9.0%
Rotor blade *(RMB per blade)*	**477,400**	446,300	7.0%

Contents

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

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

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

Corporate Information

DIRECTORS:

Executive Directors

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

Non-executive Directors

Guo Chaomin
Chen Yongxin
Tao Zheng

Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Qian Fengsheng
Xia Xue

STRATEGIC STEERING COMMITTEE

Song Zhiping *(Chairman)*
Cao Jianglin
Zhou Fangsheng

NOMINATION COMMITTEE

Sun Yanjun *(Chairman)*
Liu Jianwen
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Zhou Fangsheng *(Chairman)*
Sun Yanjun
Song Zhiping

AUDIT COMMITTEE

Qian Fengsheng *(Chairman)*
Liu Jianwen
Xia Xue

SUPERVISORS:

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

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

Corporate Information *(Continued)*

Postal Code:	100036
Place of Representative Office in Hong Kong:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers:	Agricultural Bank of China Limited Bank of Communications Co., Ltd. China Construction Bank Corporation
PRC Legal Adviser:	Jingtian and Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District, Beijing The PRC
Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House 1 Connaught Place Central Hong Kong
International Auditor:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong
Domestic Auditor:	Baker Tilly China Certified Public Accountants Building 12, Foreign Cultural and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Stock Code:	3323
Company Websites:	http://cnbm.wsfg.hk www.cnbmltd.com

Definitions

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

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

Definitions *(Continued)*

"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Jushi"	中國巨石股份有限公司 (China Jushi Co., Ltd.)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd.)
"CNBM Trading"	中建材集團進出口公司 (China National Building Materials & Equipment Import & Export Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)

"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"Eight Working Methods"	"Five C", KPI (Key performance index) management, counselor system, benchmark management and optimisation, "PCP", core profit-generating regions, market competition and cooperation and zero inventory
"EPC"	turn-key project services that include design, procurement and construction
"Environmental Protection Research Institute"	江蘇中建材環保研究院有限公司 (Jiangsu CNBM Environmental Protection Research Institute Company Limited)
"Four Modernisations"	high-grade oriented, specialty oriented, ready-mixed concrete oriented and cement products oriented
"Four Reductions & Two Simplifications"	reduction of hierarchical levels, organisational units, excess staff and vehicles; simplified organisation and capable personnel
"GDP"	gross domestic product
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guang An BNBM"	廣安北新建材有限公司 (Guang An BNBM Building Material Company Limited)
"Guangxi South Cement"	廣西南方水泥有限公司 (Guangxi South Cement Company Limited)
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"Guoxin Investment"	國新投資有限公司 (Guoxin Investment Co., Ltd.)
"HLMC"	high performance low carbon micro-particulate clinker

Definitions *(Continued)*

"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hubei BNBM"	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IFRS"	International Financial Reporting Standards
"increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"Jetion Solar"	中建材浚鑫科技有限公司 (Jetion Solar (China) Co., Ltd.)
"Jiahua Cement"	嘉華特種水泥股份有限公司 (Jiahua Special Cement Company Limited)
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"MEP"	中華人民共和國環境保護部 (Ministry of Environmental Protection of the People's Republic of China)
"MIIT"	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"NBS"	中國國家統計局 (National Bureau of Statistics of China)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"Parent"	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*) (previously known as 中國建築材料集團有限公司 (China National Building Materials Group Corporation))
"PCP"	Price-Cost-Profit
"PRC" or "China"	the People's Republic of China
"preparation, meticulosity, refinement, solidity"	planning operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the market and own features; enhancing management, meticulous organisation and delicate management to improve quality and profitability; working solidly to enhance the basis for development and strengthen foundation
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)

Definitions *(Continued)*

"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2017 to 30 June 2017
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Six Integrations"	integrations of brand culture of the Group, integration of organisations of the listed companies, integration of the cement market, integration of international construction business, integration of industrial and financial capitals, and integration of industries and research institutions
"Six-star Enterprise"	enterprise with desirable operating result, delicacy management, leading environmental protection, well-known brand, advanced simplicity, safety and stability
"South Cement"	南方水泥有限公司 (South Cement Company Limited)

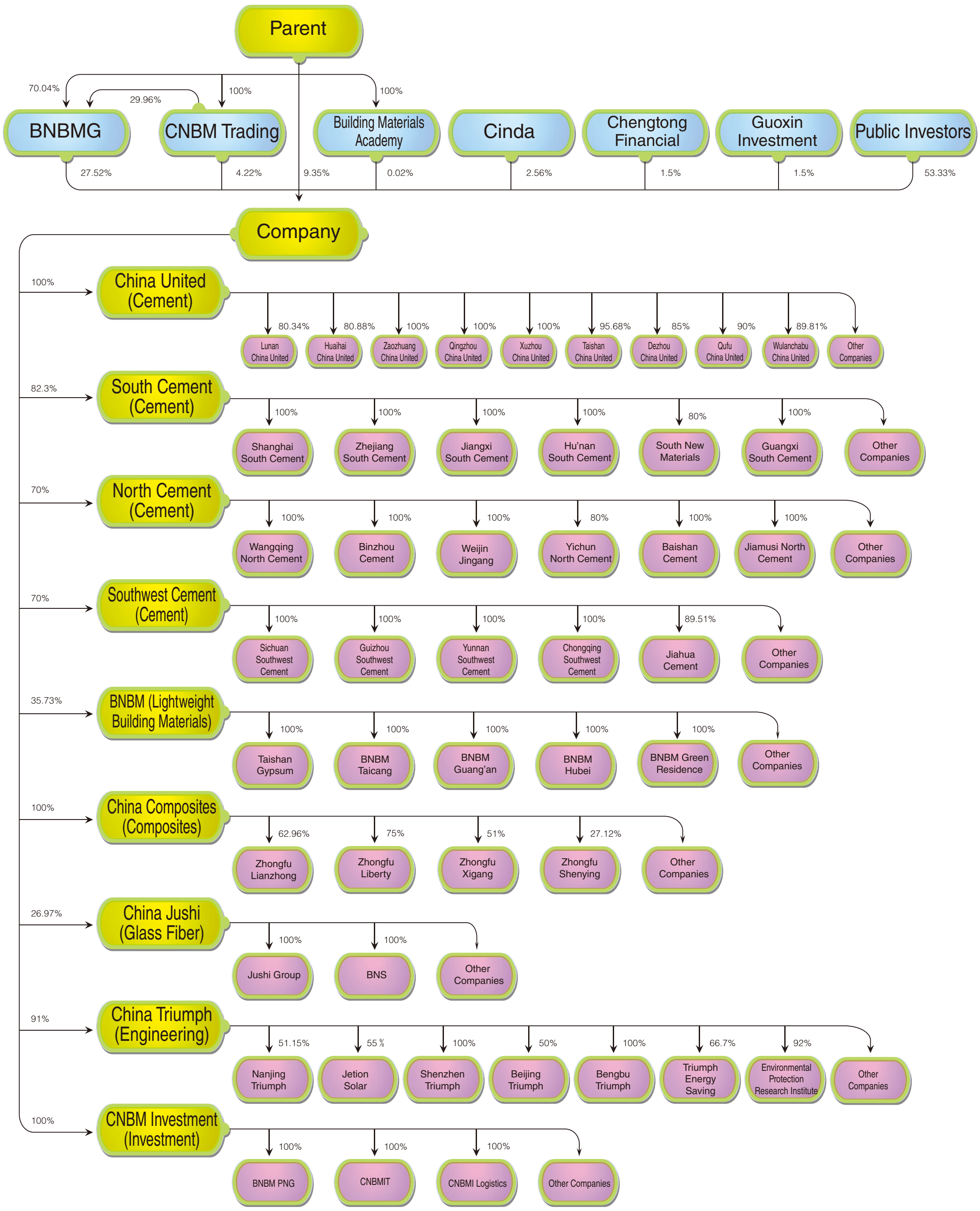
"South New Materials"	南方新材料科技有限公司 (South New Materials Technology Company Limited)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the members of the supervisory committee of the Company
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Three Curves"	upgrade of the existing businesses – upgrade of the new technology business – upgrade of the manufacturing service business
"Three New"	new building materials, new homes, and new energy materials
"Triumph Energy Saving"	上海凱盛節能工程技術有限公司 (Shanghai Triumph Energy Saving Engineering Technology Company Limited)
"Two 'consistent principles'"	adhering to the significant political principle of maintaining state-owned enterprises under the leadership of the CPC; carrying out reform among state-owned enterprises aiming for the establishment of modern enterprise systems
"Two Funds"	account receivables and inventories

Definitions *(Continued)*

"Wangqing North Cement"	汪清北方水泥有限責任公司 (Wangqing North Cement Limited Liability Company)
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan WeijinJingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited)
"Zhongfu Lianzhong"	連雲港中復連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Liberty"	常州中復麗寶第複合材料有限公司 (Changzhou China Composites Liberty Company Limited)
"Zhongfu Shenying"	中復神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Company Limited)
"Zhongfu Xigang"	威海中復西港船艇有限公司 (Weihai Zhongfu Xigang Ship Co., Ltd.)

Shareholding Structure of the Group

The simplified structure of the Group as at 30 June 2017 is set out as below:



Note: The aforementioned percentages are rounded to 2 decimal places.

Shareholding Structure of the Group *(Continued)*

Due to being rounded, the total percentage of shareholdings may be discrepant with the total amount.

In August 2015, the Parent increased its shareholding of H Shares of the Company by 8.536 million shares, accounting for 0.16% of the total share capital.

On 14 November 2016, the Parent entered into the Agreement on Partial Transfer of State-owned Shares at Nil Consideration (部分國有股份無償劃轉協議) with Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. respectively, pursuant to which, the Parent transferred 80,985,394 Domestic Shares at nil consideration to Beijing Chengtong Financial Investment Co., Ltd.* and Guoxin Investment Co., Ltd. respectively, representing 1.5% of the total share capital respectively. Such share transfers were completed on 22 February 2017 and 23 February 2017 respectively. As at the date of this report, Domestic Shares of the Company directly held by the Parent represent 9.35% of the total share capital.

Financial Highlights

The summary of financial results of the Group for the six months ended 30 June 2017 and 30 June 2016 is as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Revenue	**53,361,940**	44,103,725
Gross profit	**13,557,434**	11,289,514
Profit after taxation	**1,827,858**	697,628
Profit attributable to equity holders of the Company	**885,364**	109,114
Distribution made to the equity holders of the Company	**232,158**	199,764
Earnings per share basic *(RMB)*[(1)]	**0.164**	0.020

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2016 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2017.

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	(RMB in thousands)	
Total assets	**348,356,797**	340,787,327
Total liabilities	**271,514,320**	265,243,652
Net assets	**76,842,477**	75,543,675
Non-controlling interests	**21,980,204**	21,706,928
Equity attributable to equity holders of the Company	**42,557,337**	41,833,061
Net assets per share weighted average *(RMB)*[(1)]	**7.88**	7.75
Debt to assets ratio[(2)]	**53.9%**	54.4%
Net debts/equity ratio[(3)]	**228.1%**	231.7%

Note:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2016 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2017.

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

(3) Net debt ratio = (total borrowings-bank balances and cash)/net assets x100%.

Business Highlights

The major operating data of each segment of the Group as at 30 June 2017 and 30 June 2016 are set out below:

CEMENT SEGMENT

China United

	For six months ended 30 June	
	2017	2016
Production volume – cement *(in thousand tonnes)*	**27,327**	25,890
Production volume – clinker *(in thousand tonnes)*	**24,530**	24,450
Sales volume – cement *(in thousand tonnes)*	**24,516**	23,821
Sales volume – clinker *(in thousand tonnes)*	**5,879**	8,551
Unit selling price – cement *(RMB per tonne)*	**259.3**	181.2
Unit selling price – clinker *(RMB per tonne)*	**242.8**	142.7
Sales volume – commercial concrete *(in thousand m^3)*	**17,251**	14,401
Unit selling price – commercial concrete *(RMB per m^3)*	**300.2**	262.0

South Cement

	For six months ended 30 June	
	2017	2016
Production volume – cement *(in thousand tonnes)*	**42,727**	44,923
Production volume – clinker *(in thousand tonnes)*	**37,550**	40,270
Sales volume – cement *(in thousand tonnes)*	**39,565**	41,418
Sales volume – clinker *(in thousand tonnes)*	**12,063**	12,053
Unit selling price – cement *(RMB per tonne)*	**228.7**	183.7
Unit selling price – clinker *(RMB per tonne)*	**220.5**	144.0
Sales volume – commercial concrete *(in thousand m^3)*	**18,657**	18,533
Unit selling price – commercial concrete *(RMB per m^3)*	**316.8**	287.9

CEMENT SEGMENT *(CONTINUED)*

North Cement

	For six months ended 30 June	
	2017	2016
Production volume – cement *(in thousand tonnes)*	**5,226**	6,989
Production volume – clinker *(in thousand tonnes)*	**5,023**	5,456
Sales volume – cement *(in thousand tonnes)*	**5,323**	7,030
Sales volume – clinker *(in thousand tonnes)*	**1,303**	1,277
Unit selling price – cement *(RMB per tonne)*	**301.5**	252.5
Unit selling price – clinker *(RMB per tonne)*	**266.6**	195.0
Sales volume – commercial concrete *(in thousand m^3)*	**891**	896
Unit selling price – commercial concrete *(RMB per m^3)*	**312.4**	292.7

Southwest Cement

	For six months ended 30 June	
	2017	2016
Production volume – cement *(in thousand tonnes)*	**40,981**	41,112
Production volume – clinker *(in thousand tonnes)*	**30,600**	29,728
Sales volume – cement *(in thousand tonnes)*	**40,681**	40,376
Sales volume – clinker *(in thousand tonnes)*	**1,264**	1,084
Unit selling price – cement *(RMB per tonne)*	**243.0**	211.1
Unit selling price – clinker *(RMB per tonne)*	**222.5**	188.8
Sales volume – commercial concrete *(in thousand m^3)*	**613**	623
Unit selling price – commercial concrete *(RMB per m^3)*	**267.9**	260.1

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For six months ended 30 June	
	2017	2016
Gypsum boards – BNBM		
Production volume *(in million m^2)*	**144.4**	115.0
Sales volume *(in million m^2)*	**139.8**	117.3
Average unit selling price *(RMB per m^2)*	**6.11**	5.94
Gypsum boards – Taishan Gypsum		
Production volume *(in million m^2)*	**728.3**	597.9
Sales volume *(in million m^2)*	**713.1**	606.3
Average unit selling price *(RMB per m^2)*	**4.23**	3.88

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

	For six months ended 30 June	
	2017	2016
Rotor blade		
Production volume *(in blade)*	**1,192**	1,844
Sales volume *(in blade)*	**936**	1,668
Average unit selling price *(RMB per blade)*	**477,400**	446,300

The Group is mainly engaged in cement, light-weight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity as at 30 June 2017), the Group is:

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

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

In the first half of 2017, in light of the complex and changing situations at home and abroad, the PRC Government insisted on the general principle of seeking progress while maintaining stability, and placed the focus on promoting supply-side structural reform. Thanks to these efforts, China's economy operated within a reasonable range and presented a more obvious upward trend amid stable performance. In the first half of the year, China' GDP grew 6.9% year on year, while fixed-asset investment rose 8.6% year on year, with a decrease of 0.4 percentage point in growth rate. In particular, the infrastructure investment grew 21.1% year on year, with an increase of 0.2 percentage point in the growth rate, remaining at high levels. The property development investment grew 8.5% year on year, with an increase of 2.4 percentage points in the growth rate, which supported the stable demand of the building materials industry. Driven by the supply-side reform, the price of cement, the principal product of the Group, continued to rise steadily, and there was an obvious increase in profit of the industry.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

In the first half of 2017, the Group proactively coped with the challenges posed by the complicated economic scenario, cessation of increase in demand and excess capacity in the industry. Closely centering on the four operation and management principles of "integration and optimisation, quality and efficiency enhancement", "preparation, meticulosity, refinement and solidity, action first", "price stabilisation, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment", and "profit and efficiency as first priority", the Group exerted great efforts on the market and insisted on the business ideology of "PCP" to stabilise and raise price and increase sales volume. In addition to attaching great importance to management integration, the Group implemented a number of measures for cost reduction and efficiency enhancement including further promotion of streamlining of organisations, thorough implementation of "Four Reductions & Two Simplifications" (i.e. reduction of hierarchical levels, organisational units, excess staff and vehicles; and simplified organization and capable personnel), and strict control over the size of "Two Funds". While quickening adjustment and transformation and vigorously promoting the supply-side reform, the Group expedited the "Four Modernisations" of cement and the layout of "Three Curves" and further optimised the industrial structure. Furthermore, the quality and level of the Group's international operations were constantly enhanced due to the proactive and steady implementation of the "Belt and Road" strategy and the establishment of the "Going Global" new model. In the first half of the year, compared with the same period last year, the sales volume of cement and clinker of the Group decreased by 3.6% to 131.5 million tonnes, the sales volume of commercial concrete increased by 9.4% to 38.3 million cubic metres, the sales volume of gypsum board increased by 17.8% to 853 million square metres, the sales volume of rotor blades decreased by 43.9% to 936 pieces and the sales volume of fiberglass increased by 13.0% to 0.63 million tonnes. The revenue of the Group amounted to RMB53,361.9 million, representing a 21.0% increase year on year. Profit attributable to equity holders of the Company amounted to RMB885.4 million, representing a 711.4% increase year on year.

Cement Segment

Review of the cement industry in the PRC in the first half of 2017

In the first half of 2017, underpinned by capital construction and real estate, the demand of cement maintained stable at a high level. The production volume of cement in the PRC amounted to 1.11 billion tonnes, representing a 0.4% increase year on year. Under the guidance of the Notice on Further Promotion of Peak Shifting Production of Cement (關於進一步做好水泥錯峰生產) jointly published by the MIIT and the MEP, the supply end was effectively controlled and the imbalance between supply and demand was alleviated through peak shifting production and industrial self-discipline, resulting in steady rise in the price. The industry-wide profit totalled RMB33.4 billion, representing an increase of 248% as compared with the same period last year.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

Cement Segment *(Continued)*

Review of the cement industry in the PRC in the first half of 2017 *(Continued)*

In February 2017, various ministries and authorities under the State Council jointly issued the Plan on Special Supervision of Elimination of Obsolete Production Capacity in the Cement and Glass Industries (水泥玻璃行業淘汰落後產能專項督查方案) to implement special supervision over the nationwide implementation of the policies set out in Guo Ban Fa [2016] No. 34 Document (國辦發[2016] 34號) and relevant policies on elimination of obsolete production capacity to promote the supply-side reform of cement industry, and the in-depth structural adjustment, transformation and upgrading. In the first half of 2017, the investment in cement amounted to RMB32.4 billion, representing a year-on-year decrease of 17.3%; it was expected that the additional production capacity for clinker in the PRC would amount to 5.43 million tonnes, representing a year-on-year decrease of 50% (Sources: NBS, MEP, China Cement Association (中國水泥協會) and Digital Cement).

Review of the cement segment business of the Group in the first half of 2017

For the cement segment, the Group proactively rose up to the challenges posed by cessation of increase in demand and excess capacity in the industry. By adhering to the business ideology of "PCP", the Group actively practised peak shifting production and industrial self-discipline to slow down price decline in the slack season and facilitate price recovery in the peak season; marketing strategy was continuously optimised to consolidate the infrastructure market and steadily place the focus on key projects; owing to the continued implementation of "streamlining of organisations" and "Four Reductions & Two Simplifications", the regional management integration showed further effects; the proactive promotion of supply-side structural reform and the accelerated "Four Modernisations" development drove the enhancement of industrial standards. The Group intensified the development of special cement segment, customised services and the construction of a commercial concrete platform, optimised the "central station + individual station" management model and explored regional synergistic mechanisms. Furthermore, the Group set foot in aggregate business and promoted the technology of co-treatment of wastes in cement kilns.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

China United

China United, adhering to the "PCP" business ideology, made great efforts to maintain a good market order and promote the cement price to rise in stabilisation. It proactively normalised peak shifting production and resolutely implemented controlling clinker, stabilizing high-end product sales and expanding low-end product sales to achieve proactive adjustment to balance of supply and demand. As China United accelerated its pace of Going Global, its clinker production line in Mongolia with a daily production capacity of 2,500 tonnes was in smooth operation.

The costs and expenses management was refined and further efforts were exerted to strengthen reduction of purchase costs, production costs and technical transformation costs; the intensified management of accounts receivable generated better effects in recovery of accounts receivable.

In addition to proactive extension of industrial chain and accelerated development of aggregate business, China United executed collaborative sales of cement, concrete and aggregate and tried to promote comprehensive utilisation projects to foster new profit drivers.

South Cement

By firmly practicing the business ideology of "PCP", South Cement proactively implemented peak shifting production, production limitation, connection of large and small kilns and exchange of clinker, which effectively relieved the contradiction of excess capacity and promoted rational recovery of price. It vigorously maintained and developed the basic market and large terminal markets, proactively made an overall plan for the key engineering markets and beefed up cross market management and reasonable allocation of resources, resulting in steadily increase in the market share of core market. With the exploration and construction of a specialized regional commercial concrete sales platform, and optimisation of the "central station + individual station" management model, South Cement actively impelled the construction of core profit-generating regions to enhance competitiveness.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

South Cement *(Continued)*

South Cement increased efforts on assets operation to further improve quality and enhance efficiency. With a close eye on the costs and expenses saving plan, it strengthened the control over purchase, logistics and production costs; the consolidation of basic financial management and improvement of financial centralisation promoted the comprehensive budget management. The credit risk management and management and control of Two Funds were also reinforced to strictly control capital expenditure.

South Cement effectively conducted integration and construction of mine resources to proactively extend its business chain.

North Cement

Given the grim situation of continued sharp fall in demand, serious excess capacity, and prominent contradiction between supply and demand, North Cement thoroughly implemented the business ideology of "PCP" and strictly practised peak shifting production to promote the stabilisation and rational recovery of cement price.

In promoting regional integration, it completed the combination of Harbin and Northern Heilongjiang management areas to further enhance management efficiency. The internal management was optimised to further streamline organisations and personnel.

North Cement proactively pushed forward the development of aggregate business to further extend its business chain.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

Southwest Cement

Upholding the ideology of "PCP", Southwest Cement proactively practised peak shifting production to effectively improve the relation between supply and demand and maintain a stable price. The competitiveness in the terminal market was enhanced by intensifying "stabilisation of stocks, procural of increment and maintenance of share", overall plan and seizure of key projects, and refinement of distributor management.

Under the proactive efforts of Southwest Cement to promote regional integration, Sichuan Southwest Cement and Chongqing Southwest Cement were merged to become Chuanyu Southwest Cement, which helped to improve internal synergies and market competitiveness. By proactive implementation of "Four Reductions & Two Simplifications", Southwest Cement further optimised its organisational structure and personnel. Management of coal and inventory control was intensified and new achievements were made in reduction of purchase costs. It promoted "low cost" management to achieve all-round cost reduction and efficiency enhancement; centralised management of funds was further implemented to enhance the efficiency in capital utilisation. Southwest Cement strengthened the management of taxation and accounts receivable and obtained practical effects in taxation plan and management and control of Two Funds.

Southwest Cement intensified innovation, continuously carried out industrial test of HLMC cement, and focused on the special cement segment while accelerating adjustment and transformation.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the Group's lightweight building materials business in the first half of 2017

Thoroughly implementing the business ideology of "PCP" and attaching great importance to strategy, BNBM continued to intensify brand marketing to realise price rise and stabilisation, increase in sales volume and reduction of costs. Taishan Gypsum managed to effectively reduce cost and enhance efficiency through immediate finance costs analysis. As a result, its business competitiveness and profitability were further enhanced.

BNBM put more efforts on technological innovation, established BNBM academician and expert workstation and expanded in-depth cooperation between enterprise and research institutions to obtain technical benefits. It also accelerated the development of businesses with competitive edges and explored international development layout capitalising on the "Belt and Road" initiative.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENTS

Review of the Group's composite materials business in the first half of 2017

In accordance with the national plan on wind power industry, China Composites proactively adjusted its production and market strategies to seize low wind speed wind power and offshore wind power markets and well conducted transformation and upgrading of blade products. By tapping the huge market along the "Belt and Road", the sales in overseas market was constantly consolidated.

China Composites executed the costs and expenses saving management, and prepared and implemented the annual increasing, saving and reducing plan to continuously reduce manufacturing and purchase costs. It attached great importance to the management of accounts receivable, inventories and funds to enhance the efficiency in capital utilisation.

Review of the Group's glass fibre business in the first half of 2017

To proactively adapt to the development trend of green economy, China Jushi deepened structural adjustment and continued to increase in the proportion of high-end products, thus setting new highs one after another in production and sales and continually improving its profitability; it stressed precise management and lean production which contributed to the lasting decrease in comprehensive costs; promoted the diversification of industrial structure and took a substantial step for the provision of comprehensive service solutions of "glass fibre + resin" composite material.

Centering on the "Belt and Road" strategy, China Jushi accelerated its internationalisation. Phase III of Jushi's project in Egypt will soon be put into production. The project of glass fibre pool kiln wire drawing production line with an annual capacity of 80,000 tonnes in the United States advanced steadily. In addition, China Jushi proactively conducted survey for establishment of plants abroad.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering services segment business in the first half of 2017

Based on the "Belt and Road" strategy, China Triumph proactively and steadily developed overseas engineering business. It further conducted innovation and transformation for engineering services, while traditional businesses including cement and glass advanced together with emerging businesses such as new energy, intelligent agriculture and green house.

Focusing on technical research and development and aiming at production of high-end products, China Triumph fortified the technological innovation of ultra-thin, ultra-white, large-size, and multi-functional glass. It pushed the transformation of scientific research achievements and realised the engineering application of new glass technology in intelligent agriculture, new homes and other fields.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of the year, China's economy will still face considerable downward pressure. This, coupled with the unresolved overcapacity issue in basic building materials sector and the unsteady base for smooth operation of the industry, will pose difficulties and challenges for business development. Nevertheless, the Group is optimistic about the development of the second half of the year as China's economy, on the whole, will maintain stable performance with good momentum for growth, and the building materials sector has demonstrated a robust growth momentum. Firstly, from the macro-economic perspective, China's GDP registered a year-on-year growth of 6.9% in the first half of the year, laying a solid foundation for its economic growth; given the 19th National Congress of the Communist Party of China to be held in the second half of the year, the PRC Government will focus on supply-side structural reform with a view to improving the quality and performance of economic growth, and insist on seeking progress while ensuring stability and reinforcing and expanding growth foundation so as to better accomplishing its expected economic growth target for the year. Secondly, from the perspective of building materials sector, with the deepening of the supply-side structural reform, the sector will undergo in-depth adjustment with the prices of cement products gradually stabilizing, and peak shifting production, industrial self-discipline and business integration being expedited, thereby creating a further optimised business environment; market demand will remain robust as the construction of Xiong'an New Area and the effect thereof will trigger huge market demand, and the major projects mapped out in the "13th Five-Year Plan" and urban infrastructure construction will underpin a long-term stable growth for the building materials market; the further implementation of the "Belt and Road" strategy will open up broader markets for China's building materials enterprises with ambitions for "Going Global". Thirdly, from an internal perspective, through joint reorganisations, deepening management integration efforts, the Group has greatly elevated its management standard, market competitiveness and influence; especially after the reorganisation of its parent company, it actively promoted resource sharing, business collaboration and cost reduction by leveraging complementary advantages.

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

The Group will adhere to the underlying principle of making progress while ensuring stability and follow the general guideline of "maintaining steady growth, promoting reforms, preventing risks and enhancing Party building" and the four operation and management principles, while endeavoring to accomplish its annual objectives and tasks by focusing on the improvement of development quality and efficiency and core competitiveness and implementing the directional policy of "price stabilisation, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment".

In terms of "maintaining steady growth", in adherence to the business ideology of "PCP", the Group will proceed with marketing optimization, adjust product structure and keep a close eye on "price stabilisation and quantity guarantee". It will deepen the management integration, proactively implement "increasing, saving and reducing", "Eight Working Methods" and "Six-star Enterprise", carry through the cost and expense saving plan, strictly control "Two Funds" and thoroughly press ahead "Four Reductions & Two Simplifications", thus consolidating basic management and achieving cost reduction and efficiency improvement. In addition, it will consummate business layout and cultivate new growth drivers while levelling up traditional driving forces in light of the "Three Curves", vigorously promote the production of "Four Modernisations" of cement aiming for expediting the reduction-based development of cement, constantly improve the layout of ready-mixed concrete, develop specialty-oriented cement, accelerate the development of aggregate business and facilitate the "Three New" industry chain in heading towards mid-to-high standards, thereby further improving competitiveness in the market. Furthermore, it will proactively and prudently boost international operations and persist in the "synergistic in-depth development" strategy to further develop overseas engineering services.

In terms of "promoting reforms", the Group will speed up mechanism and management innovations. Meanwhile, it will continue its "downsizing" efforts and proceed with cost reduction and efficiency improvement through management integration.

In terms of "preventing risks", the Group will continue to intensify management and control over cash flows and centralised management of capital, reinforce classification and disposal of inventories and receivables. It will improve the internal monitoring system and strengthen internal monitoring aiming for the accomplishment of systematised and normalised internal monitoring. Moreover, it will constantly promote comprehensive risk management and construction of a law-abiding state-owned enterprise.

In terms of "enhancing Party building", the Group will accurately comprehend and practise the two "consistent principles", combine enhancing Party building with improving corporate governance and implement a feasible accountability system in Party building.

FINANCIAL REVIEW

The unaudited revenue of the Group increased by 21.0% from RMB44,103.7 million for the six months ended 30 June 2016 to RMB53,361.9 million for the six months ended 30 June 2017. Unaudited profit attributable to equity holders increased by 711.4% from RMB109.1 million for the six months ended 30 June 2016 to RMB885.4 million for the six months ended 30 June 2017.

REVENUE

Our revenue for the six months ended 30 June 2017 amounted to RMB53,361.9 million, representing an increase of 21.0% from RMB44,103.7 million for the six months ended 30 June 2016. This was primarily due to an increase of RMB3,899.6 million in the revenue of China United, an increase of RMB2,939.2 million in the revenue of South Cement, an increase of RMB1,438.9 million in the revenue of Southwest Cement, an increase of RMB921.7 million in the revenue of the lightweight building materials segment, an increase of RMB272.5 million in the revenue of the engineering services segment, and partially offset by a decrease of RMB242.0 million in the revenue of glass fiber and composite materials segment and a decrease of RMB55.2 million in the revenue of North Cement.

COST OF SALES

Our cost of sales for the six months ended 30 June 2017 amounted to RMB39,804.5 million, representing an increase of 21.3% from RMB32,814.2 million for the six months ended 30 June 2016. This was primarily due to an increase of RMB2,597.7 million in the cost of sales of South Cement, an increase of RMB2,405.6 million in the cost of sales of China United, an increase of RMB1,300.7 million in the cost of sales of Southwest Cement, an increase of RMB767.0 million in the cost of sales of the lightweight building materials segment, and an increase of RMB339.1 million in the cost of sales of the engineering services segment, partially offset by a decrease of RMB191.0 million in cost of sales of North Cement and a decrease of RMB176.9 million in cost of sales of the glass fiber and composite materials segment.

OTHER INCOME

Other income of the Group increased by 3.5% to RMB1,182.9 million for the six months ended 30 June 2017 from RMB1,143.2 million for the six months ended 30 June 2016. This was primarily due to the increase in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss from RMB-429.9 million for the six months ended 30 June 2016 to RMB48.6 million for the six months ended 30 June 2017, partially offset by a decrease in government grants from RMB631.1 million for the for the six months ended 30 June 2016 to RMB191.5 million for the six months ended 30 June 2017 and a decrease in VAT refunds from RMB520.5 million for the six months ended 30 June 2016 to RMB384.9 million for the six months ended 30 June 2017.

FINANCIAL REVIEW *(CONTINUED)*

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by 13.1% to RMB3,541.4 million for the six months ended 30 June 2017 from RMB3,130.6 million for the six months ended 30 June 2016. This was primarily due to an increase of RMB358.2 million in transportation costs.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 4.7% to RMB4,320.8 million for the six months ended 30 June 2017 from RMB4,127.8 million for the six months ended 30 June 2016. This was primarily due to an increase of RMB97.6 million in labour costs and an increase of RMB44.8 million in the depreciation and amortisation of intangible assets.

FINANCE COSTS

Finance costs increased by 11.7% to RMB4,632.6 million for the six months ended 30 June 2017 from RMB4,147.9 million for the six months ended 30 June 2016, mainly due to the increase in the average interest rates in borrowings of the Group.

SHARE OF PROFIT OF ASSOCIATES

The Group's share of profit of associates increased by 80.1% to RMB429.7 million for the six months ended 30 June 2017 from RMB238.6 million for the six months ended 30 June 2016, primarily due to an increase in the profit of the associates of the Group in cement business and an increase in the profit of China Jushi, our associate.

INCOME TAX EXPENSE

Income tax expense increased by 49.4% to RMB847.4 million for the six months ended 30 June 2017 from RMB567.3 million for the six months ended 30 June 2016, primarily due to the increase in profit before taxation.

NON-CONTROLLING INTERESTS

Non-controlling interests increased by 94.2% to RMB641.2 million for the six months ended 30 June 2017 from RMB330.3 million for the six months ended 30 June 2016. This was primarily due to the increase in operating profit in all segments of the Group.

FINANCIAL REVIEW *(CONTINUED)*

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by 711.4% to RMB885.4 million for the six months ended 30 June 2017 from RMB109.1 million for the six months ended 30 June 2016. Net profit margin increased to 1.7% for the six months ended 30 June 2017 from 0.2% for the six months ended 30 June 2016.

CHINA UNITED

Revenue

Revenue of China United increased by 41.9% to RMB13,207.6 million for the six months ended 30 June 2017 from RMB9,308.0 million for the six months ended 30 June 2016, mainly attributable to the increase in the average selling price of cement products and commercial concrete as well as the increase in the sales volume of commercial concrete, partially offset by the decrease in sales volume of cement products.

Cost of sales

Cost of sales of China United increased by 33.3% to RMB9,631.0 million for the six months ended 30 June 2017 from RMB7,225.4 million for the six months ended 30 June 2016, mainly attributable to the increase in the coal prices and sales volume of commercial concrete, partially offset by the decrease in sales volume of cement products.

Gross profit and gross profit margin

Gross profit of China United increased by 71.7% to RMB3,576.6 million for the six months ended 30 June 2017 from RMB2,082.6 million for the six months ended 30 June 2016. Gross profit margin of China United increased from 22.4% for the six months ended 30 June 2016 to 27.1% for the six months ended 30 June 2017. The increase in gross profit margin was mainly due to the increase in the average selling price of cement products and commercial concrete, partially offset by the increase in the coal prices.

Operating profit

Operating profit of China United increased by 58.6% to RMB1,685.5 million for the six months ended 30 June 2017 from RMB1,062.9 million for the six months ended 30 June 2016. Operating profit margin of China United increased from 11.4% for the six months ended 30 June 2016 to 12.8% for the six months ended 30 June 2017. The increase in operating profit margin was primarily due to the increase in gross profit margin and the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss, partially offset by the decrease in the refund of value-added tax and the grants from the government.

FINANCIAL REVIEW (CONTINUED)

SOUTH CEMENT

Revenue

Revenue of South Cement increased by 20.0% to RMB17,618.6 million for the six months ended 30 June 2017 from RMB14,679.4 million for the six months ended 30 June 2016, mainly attributable to the increase in the average selling price of cement products and commercial concrete and the increase in the sales volume of commercial concrete, partially offset by the decrease in the sales volume of cement products.

Cost of sales

Cost of sales of South Cement increased by 23.5% to RMB13,670.1 million for the six months ended 30 June 2017 from RMB11,072.5 million for the six months ended 30 June 2016, mainly attributable to the increase in the sales volume of commercial concrete and the increase in the coal prices, partially offset by the decrease in the sales volume of cement products.

Gross profit and gross profit margin

Gross profit of South Cement increased by 9.5% to RMB3,948.5 million for the six months ended 30 June 2017 from RMB3,607.0 million for the six months ended 30 June 2016. Gross profit margin of South Cement decreased from 24.6% for the six months ended 30 June 2016 to 22.4% for the six months ended 30 June 2017. This was mainly attributable to the increase in the coal prices, partially offset by the increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of South Cement increased by 19.3% to RMB1,899.3 million for the six months ended 30 June 2017 from RMB1,592.5 million for the six months ended 30 June 2016. Operating profit margin for the South Cement was 10.8% for both the six months ended 30 June 2016 and the six months ended 30 June 2017. This was primarily due to the decrease in gross profit margin, partially offset by the increase in income from disposal of certain equity interests in associates.

FINANCIAL REVIEW *(CONTINUED)*

NORTH CEMENT

Revenue

Revenue of North Cement decreased by 2.4 % to RMB2,231.0 million for the six months ended 30 June 2017 from RMB2,286.2 million for the six months ended 30 June 2016, mainly attributable to the decrease in the sales volume of cement products, partially offset by the increase in the average selling price of cement products and commercial concrete.

Cost of sales

Cost of sales of North Cement decreased by 11.6% to RMB1,462.7 million for the six months ended 30 June 2017 from RMB1,653.7 million for the six months ended 30 June 2016, mainly attributable to the decrease in the sales volume of cement products, partially offset by increase in the coal prices.

Gross profit and gross profit margin

Gross profit of North Cement increased by 21.5% to RMB768.3 million for the six months ended 30 June 2017 from RMB632.4 million for the six months ended 30 June 2016. Gross profit margin of North Cement increased to 34.4% for the six months ended 30 June 2017 from 27.7% for the six months ended 30 June 2016, mainly attributable to the increase in the average selling price of cement products and commercial concrete, partially offset by the increase in the coal prices.

Operating profit

Operating profit of North Cement increased to RMB270.5 million for the six months ended 30 June 2017 from RMB-190.2 million for the six months ended 30 June 2016. Operating profit margin of North Cement increased from -8.3% for the six months ended 30 June 2016 to 12.1% for the six months ended 30 June 2017, primarily due to the increase in the gross profit margin as well as the increase in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss, and the decrease in labour costs.

FINANCIAL REVIEW *(CONTINUED)*

SOUTHWEST CEMENT

Revenue

Revenue of Southwest Cement increased by 16.2% to RMB10,330.7 million for the six months ended 30 June 2017 from RMB8,891.8 million for the six months ended 30 June 2016, mainly attributable to the increase in the average selling price of cement products and commercial concrete and the increase in the sales volume of cement products.

Cost of sales

Cost of sales of Southwest Cement increased by 20.6% to RMB7,620.2 million for the six months ended 30 June 2017 from RMB6,319.5 million for the six months ended 30 June 2016, mainly attributable to the increase in the coal prices and the increase in the sales volume of cement products.

Gross profit and gross profit margin

Gross profit of Southwest Cement increased by 5.4% to RMB2,710.5 million for the six months ended 30 June 2017 from RMB2,572.3 million for the six months ended 30 June 2016. Gross profit margin of Southwest Cement decreased from 28.9% for the six months ended 30 June 2016 to 26.2% for the six months ended 30 June 2017, mainly attributable to the increase in the coal prices, partially offset by the increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of Southwest Cement increased by 6.5% to RMB1,503.3 million for the six months ended 30 June 2017 from RMB1,411.4 million for the six months ended 30 June 2016. Operating profit margin of the Southwest Cement decreased from 15.9% for the six months ended 30 June 2016 to 14.6% for the six months ended 30 June 2017, primarily due to the decrease in the gross profit margin, partially offset by the increase in VAT refunds.

FINANCIAL REVIEW *(CONTINUED)*

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Revenue

Revenue from the lightweight building materials segment increased by 27.0% to RMB4,341.7 million for the six months ended 30 June 2017 from RMB3,420.0 million for the six months ended 30 June 2016. This was mainly attributable to the increase in the sales volume and selling price of gypsum boards, our main product.

Cost of sales

Cost of sales for the lightweight building materials segment increased by 32.4% to RMB3,136.1 million for the six months ended 30 June 2017 from RMB2,369.2 million for the six months ended 30 June 2016. This was mainly due to the increase in the sales volume of gypsum boards, our main product, and the increase in the coal prices.

Gross profit and gross profit margin

Gross profit from the lightweight building materials segment increased by 14.7% to RMB1,205.6 million for the six months ended 30 June 2017 from RMB1,050.8 million for the six months ended 30 June 2016. Gross profit margin of the lightweight building material segment decreased to 27.8% for the six months ended 30 June 2017 from 30.7% for the six months ended 30 June 2016, mainly attributable to the increase in the coal prices, partially offset by the increase in the selling price of gypsum boards.

Operating profit

Operating profit from the lightweight building materials segment increased by 7.7% to RMB807.8 million for the six months ended 30 June 2017 from RMB750.2 million for the six months ended 30 June 2016. Operating profit margin of the segment decreased from 21.9% for the six months ended 30 June 2016 to 18.6% for the six months ended 30 June 2017, mainly attributable to the decrease in the gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

Revenue

Revenue from the glass fiber and composite materials segment decreased by 24.5% to RMB744.2 million for the six months ended 30 June 2017 from RMB986.2 million for the six months ended 30 June 2016, mainly attributable to the decrease in sales volume of rotor blades, partially offset by the increase in the average selling price of rotor blades.

Cost of sales

The cost of sales for the glass fiber and composite materials segment decreased by 24.1% to RMB557.3 million for the six months ended 30 June 2017 from RMB734.2 million for the six months ended 30 June 2016, mainly attributable to the decrease in sales volume of rotor blades.

Gross profit and gross profit margin

Gross profit from the glass fiber and composite materials segment decreased by 25.8% to RMB186.9 million for the six months ended 30 June 2017 from RMB252.0 million for the six months ended 30 June 2016. Gross profit margin of the glass fiber and composite materials segment decreased to 25.1% for the six months ended 30 June 2017 from 25.6% for the six months ended 30 June 2016. The decrease in gross profit margin was mainly attributable to the decrease of the gross profit margin of rotor blades business.

Operating profit

Operating profit from the glass fiber and composite materials segment increased by 9.9% to RMB101.4 million for the six months ended 30 June 2017 from RMB92.3 million for the six months ended 30 June 2016. The operating profit margin of the segment increased to 13.6% for the six months ended 30 June 2017 from 9.4% for the six months ended 30 June 2016. The increase in operating profit margin was mainly attributable to the decrease in the research and development expenses and the decrease in allowance for bad debts of trade receivables in the period, partially offset by the decrease in the gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

ENGINEERING SERVICES SEGMENT

Revenue

Revenue from the engineering services segment increased by 7.4% to RMB3,940.6 million for the six months ended 30 June 2017 from RMB3,668.1 million for the six months ended 30 June 2016, mainly attributable to the increase in completed construction services in the period.

Cost of sales

Cost of sales for the engineering services segment increased by 12.4% to RMB3,071.9 million for the six months ended 30 June 2017 from RMB2,732.8 million for the six months ended 30 June 2016, mainly attributable to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit from the engineering services segment decreased by 7.1% to RMB868.7 million for the six months ended 30 June 2017 from RMB935.3 million for the six months ended 30 June 2016. Gross profit margin of the engineering service segment decreased to 22.0% for the six months ended 30 June 2017 from 25.5% for the six months ended 30 June 2016, mainly attributable to the decrease in gross profit margin of EPC projects in the product portfolio of this segment.

Operating profit

Operating profit from the engineering services segment increased by14.5% to RMB593.9 million for the six months ended 30 June 2017 from RMB518.6 million for the six months ended 30 June 2016. Operating profit margin of this segment increased to 15.1% for the six months ended 30 June 2017 from 14.1% for the six months ended 30 June 2016, mainly attributable to the decrease in allowance for bad debts of trade receivables and the increase in gains arising from disposal of subsidiaries, partially offset by the decrease in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had unused banking facilities and bonds, which were registered but not yet issued, of approximately RMB155,205.9 million in total. The table below sets out our borrowings in the periods shown below:

	As at 30 June 2017	As at 31 December 2016
	(RMB in millions)	
Bank loans	**186,309.3**	183,615.5
Other borrowings from non-financial institutions	**1,487.0**	1,679.3
Total	**187,796.3**	185,294.8

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

	As at 30 June 2017	As at 31 December 2016
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**140,580.4**	139,802.4
Between one and two years	**14,225.2**	13,751.9
Between two and three years	**22,637.1**	24,814.5
Between three and five years (inclusive of both years)	**7,728.3**	4,383.8
Over five years	**2,625.3**	2,542.2
Total	**187,796.3**	185,294.8

As at 30 June 2017, bank loans in the total amount of RMB2,924.0 million were secured by assets of the Group with a total carrying value of RMB21,820.2 million.

As at 30 June 2017 and 31 December 2016, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 53.9% and 54.4%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

EXCHANGE RISKS

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

CONTINGENT LIABILITIES

Certain contingent liabilities were incurred resulting from the Group's provision of guarantee to banks in respect of bank credits used by an independent third party. The highest un-discounted values of the underlying payment resulting from such guarantees are set out as follows:

	As at 30 June 2017	As at 31 December 2016
	(RMB in millions)	
Guarantee to banks in respect of bank credits used by an independent third party of subsidiaries before acquisition	**50.0**	–
Total	**50.0**	–

CAPITAL COMMITMENTS

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

	As at 30 June 2017	As at 31 December 2016
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided)	**0.5**	1.0

FINANCIAL REVIEW *(CONTINUED)*

CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the six months ended 30 June 2017 by segment:

	For the six months ended 30 June 2017	
	(RMB in millions)	*% of the total*
Cement	**3,844.2**	**74.0**
Including: China United	**1,135.5**	**21.9**
South Cement	**1,710.8**	**32.9**
North Cement	**119.9**	**2.3**
Southwest Cement	**866.3**	**16.7**
Commercial concrete	**407.3**	**7.8**
Including: China United	**320.3**	**6.2**
South Cement	**73.4**	**1.4**
North Cement	**12.8**	**0.2**
Southwest Cement	**0.7**	**0.01**
Lightweight building materials	**471.6**	**9.1**
Glass fiber and composite materials	**90.8**	**1.7**
Engineering services	**253.7**	**4.9**
Others	**128.8**	**2.5**
Total	**5,196.4**	**100.0**

FINANCIAL REVIEW *(CONTINUED)*

CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 30 June 2017, the net cash inflow generated from operating activities of the Group was RMB5,645.0 million. Such net cash inflow was mainly attributable to RMB10,663.6 million of cash flow from operating activities before the change in working capital, partially offset mainly by the increase of RMB2,413.5 million in trade and other receivables and the decrease of RMB1,567.3 million in trade and other payables.

CASH FLOW FROM INVESTING ACTIVITIES

For the six months ended 30 June 2017, the net cash outflow generated from investing activities of the Group was RMB5,157.7 million, mainly attributable to expenditures for purchase of property, plant and equipment of RMB4,830.6 million.

CASH FLOW FROM FINANCING ACTIVITIES

For the six months ended 30 June 2017, the net cash inflow generated from financing activities of the Group was RMB1,727.7 million, mainly attributable to newly raised borrowings totaling RMB84,820.7 million, partially offset by RMB81,480.3 million for repayment of borrowings.

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

At the annual general meeting of the Company held on 26 May 2017, the Company declared a final dividend of RMB232,158,129.27 in total (pre-tax) for the period from 1 January 2016 to 31 December 2016 for the Shareholders whose names appeared on the register of members of the Company on 7 June 2017, representing RMB0.043 per share (pre-tax).

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2017.

MATERIAL TRANSACTIONS

Supplemental Agreements To The Finance Lease Agreements

Reference is made to the announcement of the Company dated 25 April 2016 in relation to the Finance Lease Agreements (as defined below). On 25 April 2016, 14 subsidiaries of the Company including but not limited to Lincheng Zhonglian Fushi Cement Company Limited* (the "Lessees") entered into 14 finance lease agreements with the Company and Industrial Bank Financial Leasing Co., Ltd. ("IBFL"), respectively (the "Finance Lease Agreements"). On 21 April 2017, the Lessees entered into 14 supplemental agreements to the Finance Lease Agreements with the Company and IBFL, respectively (the "Supplemental Agreements"). Pursuant to the Supplemental Agreements, the lease period under each Finance Lease Agreement will be extended from one year to three years commencing on the relevant lease inception date (the date on which the consideration for the relevant leased assets is paid by IBFL to the Company pursuant to that Finance Lease Agreement).

Details of the Supplemental Agreements to the Finance Lease Agreements have been disclosed in the announcement issued by the Company on 21 April 2017.

CONNECTED TRANSACTIONS

Partially Exempted Continuing Connected Transactions

Particulars of connected transactions are set out in Note 26 to the interim financial statements. The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules. For details of such continuing connected transactions and relevant exemptions, please refer to the Company's announcement on continuing connected transactions dated 18 January 2017.

CONNECTED TRANSACTIONS *(CONTINUED)*

Transactions with Parent Group

For the six months ended 30 June 2017, the Group's income from its supply of products and services to the Parent Group amounted to approximately RMB559.4 million, representing approximately 1.1% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from the Parent Group amounted to RMB238.0 million, representing approximately 0.6% of its total cost of sales for the same period.

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

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

For the six months ended 30 June 2017, the Group's income from its supply of products (including ultra-fine powder/slag, clinker and cement) to Jingang Group and its subsidiaries amounted to approximately RMB103.4 million, representing approximately 0.2% of the total revenue of the Group for the same period.

Continuing transactions subsequently becoming connected transactions

References are made to the announcements of the Company dated 25 January 2016, 22 August 2016, 18 January 2017, 22 February 2017, 27 February 2017 and 8 March 2017 in relation to the proposed reorganisation involving the Parent (being the controlling shareholder of the Company) and Sinoma Group Corporation. Upon completion of the transaction in March 2017, China National Materials Group Corporation Ltd. (中國中材集團有限公司, "Sinoma Group Corporation") has become a connected person of the Company by virtue of becoming a wholly-owned subsidiary of the Parent. Before Sinoma Group Corporation becomes a connected person of the Company, members of the Group have entered into agreements with members of the Sinoma Group Corporation in the ordinary and usual course of business, which are of a revenue nature. Pursuant to Rule 14A.60 of the Listing Rules, the agreements and the transactions contemplated thereunder will constitute continuing transactions which have subsequently become continuing connected transactions. Details of the relevant agreements are set out in the announcements of the Company dated 18 January 2017 and 22 February 2017.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Connected Transactions

For the six months ended 30 June 2017 and up to the date of this report, the Company entered into the following partially-exempted connected transactions.

Transfer of State-owned Land Use Rights by China Triumph

On 18 January 2017, China Triumph (a 91% directly-owned subsidiary of the Company) and Bengbu China Optoelectronics Technology Co., Ltd. (蚌埠中光電科技有限公司) ("Bengbu COE", a 55% indirectly-owned subsidiary of the Parent) entered into a transfer contract of state-owned land use rights. Pursuant to the contract, China Triumph agreed to transfer the land use rights of the land to Bengbu COE at a consideration of RMB65.05 million.

Details of the transfer of state-owned land use rights were disclosed in the announcement of the Company dated 18 January 2017. As at the date of this report, the transaction had been completed.

Capital Contribution to Zhongfu Shenying Carbon Fiber Company Limited (中復神鷹碳纖維有限責任公司) ("Zhongfu Shenying")

On 23 January 2017, China Composites (a 100% directly-held subsidiary of the Company), Lianyungang Yingyou Textile Machinery Group Co., Ltd. (連雲港鷹遊紡機集團有限公司), Jiangsu Aoshen Group Corporation Limited (江蘇奧神集團有限責任公司) and CNBM United Investment Co., Ltd. (中建材聯合投資有限公司, a 100% directly-held subsidiary of the Parent), being shareholders of Zhongfu Shenying (a company 27.12% indirectly held by the Company through China Composites), entered into the Capital Contribution Agreement (the "Capital Contribution Agreement"), pursuant to which, it has been agreed that parties to the Capital Contribution Agreement shall make a capital contribution to Zhongfu Shenying in cash according to their respective shareholding on a pro rata basis. Upon completion of the capital contribution, the shareholding of China Composites in Zhongfu Shenying will remain at 27.12% of the enlarged registered capital and the shareholding of CNBM United in Zhongfu Shenying will remain at 37.30% of the enlarged registered capital.

Details of the capital contribution to Zhongfu Shenying were disclosed in the announcement of the Company dated 23 January 2017. As at the date of this report, the transaction had been completed.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Connected Transactions *(CONTINUED)*

Disposal of Equity Interest in CNBM (Tongcheng) New Energy Materials Company Limited (中國建材桐城新能源材料有限公司) ("Tongcheng New Energy") by China Triumph

On 7 February 2017, China Triumph, Anhui Huaguang Photoelectric Materials Technology Group Co, Ltd.(安徽華光光電材料科技集團有限公司) ("Huaguang Group") and Bengbu Design & Research Institute for Glass Industry (蚌埠玻璃工業設計研究院) ("Bengbu Institute") entered into the Agreement for Asset Acquisition by Share Issuance ("Original Sales and Purchase Agreement") with Luoyang Glass Company Limited (洛陽玻璃股份有限公司) ("Luoyang Glass", a subsidiary of the Parent, indirectly controlled by the Parent through Triumph Technology Group Company (凱盛科技集團公司) ("Triumph Group") as to 33.04%). Pursuant to the agreement, China Triumph, Huaguang Group and Bengbu Institute have conditionally agreed to sell, and Luoyang Glass has conditionally agreed to purchase, an aggregate of 100% equity interest in Tongcheng New Energy. The consideration will be satisfied by the consideration shares to be issued by Luoyang Glass.

On 7 August 2017, China Triumph, Huaguang Group and Bengbu Institute entered into the supplemental agreement to the Original Sales and Purchase Agreement with Luoyang Glass, to adjust the consideration under the Original Sales and Purchase Agreement and to fix the Profit Guarantee amounts under the Original Profit Guarantee Indemnity Agreement.

Details of the disposal of equity interest in Tongcheng New Energy by China Triumph were disclosed in the announcements of the Company dated 7 February 2017 and 7 August 2017, respectively. As at the date of this report, the transaction had yet to be completed.

Acquisition of Equity Interests in MNC and Its Subsidiaries

On 18 August 2017, North Cement (a 70% owned subsidiary of the Company) and Mudanjiang North Cement Company Limited* (牡丹江北方水泥有限公司) (the "MNC"), entered into the equity transfer agreements, pursuant to which North Cement has agreed to purchase the equity interests held by MNC in its 19 subsidiaries (the "Targets"). Upon completion of the acquisition, each Target will become a direct subsidiary of North Cement.

On 18 August 2017, North Cement and Jingang Group entered into the MNC equity transfer agreement, pursuant to which North Cement has agreed to purchase the equity interests held by Jingang Group in MNC. Upon completion of the acquisition, MNC will become a directly wholly-owned subsidiary of North Cement.

For details of the acquisition of equity interests in MNC and its subsidiaries, please refer to the announcement of the Company dated 18 August 2017. As at the date of this report, the transaction is yet to be completed.

CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2017, the Board of the Company is not aware of any information which would indicate that the Company did not comply with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

SPECIAL COMMITTEES UNDER THE BOARD

The Strategic Steering Committee

The Company has established a strategic steering committee which comprises three Directors, including two executive Directors and one independent non-executive Director. The strategic steering committee is responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisation development proposals, major investing and financing plans and other material matters that will affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investing plans under the authorisation of the Board; and making recommendations to the Board. During the Reporting Period, the strategic steering committee has reviewed the operation of the Company in 2016 and proposals relating to the working arrangement in 2017.

Nomination Committee

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

SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

Remuneration And Performance Appraisal Committee

The Company has established a remuneration and performance appraisal committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the remuneration and performance appraisal committee are in compliance with the provisions of the Code. The remuneration and performance appraisal committee is responsible for recommending the specific remuneration and reviewing the performance of the Directors and senior management, based on the remuneration and performance appraisal management policies and framework pertaining to Directors and senior management which have been formulated by the Board. During the Reporting Period, the remuneration and performance appraisal committee has reviewed the performance-based salaries and special rewards of the senior management members of the Company for 2016.

Audit Committee

The Company has established the audit committee which comprises three Directors, including three independent non-executive Directors, one of whom possesses appropriate professional qualification and accounting and related financial management experience. The terms of reference adopted by the audit committee are in compliance with the provisions of the Code. The principal duties of the audit committee include reviewing the Company's external auditors and their work, the Company's financial reporting procedures, internal control and risk management, and formulating and reviewing the corporate governance policy and its practice and disclosure. As at the date of this report, the audit committee has reviewed the internal audit work in 2016, the working plan in 2017, the appointment of auditors in 2017, determination of the expense on audit in 2016, 2016 annual report and the 2017 interim report of the Company.

INTERNAL CONTROL

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

INTERNAL CONTROL *(CONTINUED)*

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

MODEL CODE

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

SHARE CAPITAL STRUCTURE

	As at 30 June 2017	
	Number of shares	**Percentage of issued share capital**
Domestic Shares	**2,519,854,366**	**46.67%**
H Shares	**2,879,171,896**	**53.33%**
Total share capital	**5,399,026,262**	**100%**

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

MATERIAL LITIGATION AND ARBITRATION

For the six months ended 30 June 2017, save for the gypsum board litigation in the United States (the "US") as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor were any of the directors, supervisors and senior management of the Group involved in any material litigation.

MATERIAL LITIGATION AND ARBITRATION *(CONTINUED)*

References are made to the overseas regulatory announcement of the Company dated 30 May 2010 in respect of an announcement released by BNBM, relating to the gypsum board incident in the US and the information on subsequent development of the gypsum board litigation in the US set out in the announcements dated 18 July 2014, 20 August 2014, 13 February 2015, and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third–quarterly report and the 2015 annual report, the 2016 interim report, the 2016 annual report and the announcement dated 22 June 2017 of the Company.

In June 2017, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM and/or Taishan Gypsum are parties, each of BNBM and Taishan Gypsum has reached settlement with the plaintiffs of one of the gypsum board cases, namely Lennar Homes, LLC and U.S. Home Corporation (the "Lennar"). According to terms of settlement, BNBM and Taishan Gypsum have agreed to pay Lennar US$500,000 and US$6,000,000, respectively. The litigations filed by Lennar against BNBM and Taishan Gypsum have been closed.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had approximately 110,143 employees.

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

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Mr. Cao Jianglin, the President and executive Director of the Company, ceased to be the chairman of North Cement from 2 June 2017.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE *(CONTINUED)*

Mr. Chang Zhangli, an executive Director of the Company, ceased to be a director of North Cement from 2 June 2017, and ceased to be a director of China Composites from 12 June 2017.

Ms. Cui Shuhong, a staff representative supervisor of the Company, has been serving as a supervisor of China United from 5 June 2017.

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

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

So far as was known to the Directors or the Supervisors, as at 30 June 2017, the Shareholders (other than the Directors, the chief executive or the Supervisors) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending Pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital *(%)*[1,4]	Percentage of total share capital *(%)*[1,4]
Parent	Domestic Shares	Long	Beneficial owner	504,991,734			
	Domestic Shares	Long	Interest of a controlled corporation	1,714,459,536			
				2,219,451,270	2,3	88.07	41.10
	H Shares	Long	Beneficial owner	8,536,000		0.29	0.15
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956	2	58.95	27.52
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	9.04	4.22
Cinda	Domestic Shares	Long	Beneficial owner	138,432,308	3	5.49	2.56

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

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

Notes:

1. As at 30 June 2017, the Company's total issued share capital comprises 5,399,026,262 shares, including 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

2. Of these 2,219,451,270 shares, 504,991,734 shares are directly held by the Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

3. Pursuant to a share transfer agreement dated 31 December 2009 entered into between the Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to the Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between the Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to the Parent ("Second Transfer of Shares"). As the proposal in relation to bonus issue of shares on the basis of ten bonus shares for every ten shares held by shareholders of the Company was passed at the 2010 annual general meeting of the Company, the Parent and Cinda entered into a supplemental agreement to the aforesaid two share transfer agreements on 31 August 2012, whereby Cinda agreed to adjust the 61,800,137 Domestic Shares of the Company transferred to the Parent to 123,600,274 Domestic Shares. Consequently, under the SFO, the Parent was deemed to own 2,343,051,544 Domestic Shares (representing 92.98% in the domestic share capital and 43.39% in the total share capital) and Cinda was deemed to own 14,832,034 Domestic Shares (representing 0.58% in the domestic share capital and 0.27% in the total share capital). As at the date of this report, the formalities in respect of the share transfer registration of the aforementioned transactions of shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed.

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

Save as disclosed above, as at 30 June 2017, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

As at 30 June 2017, as far as the Company is aware, none of the Directors, the chief executive nor the Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, the chief executive or the Supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

BAKER TILLY
HONG KONG | 天職香港

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 53 to 104, which comprises the condensed consolidated statement of financial position of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated interim financial information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting", issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Baker Tilly Hong Kong Limited
Certified Public Accountants

Gao Yajun
Practising Certificate Number P06391

Hong Kong, 25 August 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
			(restated)
		(unaudited)	(unaudited)
Revenue	5	**53,361,940**	44,103,725
Cost of sales		**(39,804,506)**	(32,814,211)
Gross profit		**13,557,434**	11,289,514
Investment and other income, net	6	**1,182,930**	1,143,156
Selling and distribution costs		**(3,541,436)**	(3,130,611)
Administrative expenses		**(4,320,840)**	(4,127,754)
Finance costs, net	7	**(4,632,578)**	(4,147,894)
Share of profits of associates		**429,726**	238,552
Profit before income tax	8	**2,675,236**	1,264,963
Income tax expense	9	**(847,378)**	(567,335)
Profit for the period		**1,827,858**	697,628
Profit attributable to:			
Owners of the Company		**885,364**	109,114
Holders of perpetual capital instruments		**301,250**	258,250
Non-controlling interests		**641,244**	330,264
		1,827,858	697,628
		RMB	*RMB*
Earnings per share – basic and diluted	11	**0.164**	0.020

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Profit for the period	**1,827,858**	697,628
Other comprehensive income/(expense), net of tax:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(4,946)**	(20,377)
Changes in the fair value of available-for-sale financial assets, net	**48,717**	(302,992)
Shares of associates' other comprehensive expense	**(4,166)**	(4,760)
Other comprehensive income/(expense) for the period, net of tax	**39,605**	(328,129)
Total comprehensive income for the period	**1,867,463**	369,499
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**938,430**	(201,631)
Holders of perpetual capital instruments	**301,250**	258,250
Non-controlling interests	**627,783**	312,880
Total comprehensive income for the period	**1,867,463**	369,499

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	**30 June 2017** ***RMB'000*** **(unaudited)**	31 December 2016 *RMB'000* (restated) (unaudited)
Non-current assets			
Property, plant and equipment	12	**129,637,627**	129,095,730
Prepaid lease payments		**14,651,615**	14,660,619
Investment properties		**295,657**	333,500
Goodwill	13	**42,724,389**	42,604,255
Intangible assets		**7,342,922**	7,259,784
Interests in associates	14	**10,599,000**	10,715,153
Available-for-sale financial assets	15	**3,138,529**	3,095,655
Deposits	16	**4,010,677**	3,522,251
Deferred income tax assets		**4,983,658**	4,821,436
		217,384,074	216,108,383
Current assets			
Inventories		**17,046,627**	15,204,778
Trade and other receivables	17	**79,277,541**	76,582,356
Available-for-sale financial assets	15	**57,536**	43,998
Financial assets at fair value through profit or loss	18	**2,671,504**	2,692,941
Amounts due from related parties	28(b)	**10,360,539**	11,929,052
Pledged bank deposits	19	**9,006,437**	7,973,769
Cash and cash equivalents		**12,552,539**	10,252,050
		130,972,723	124,678,944

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 30 JUNE 2017

	Note	**30 June 2017** ***RMB'000*** **(unaudited)**	31 December 2016 *RMB'000* (restated) (unaudited)
Current liabilities			
Trade and other payables	20	**49,277,539**	49,360,883
Amounts due to related parties	28(b)	**9,376,015**	6,108,064
Borrowings – amount due within one year	21	**141,569,682**	140,802,387
Obligations under finance leases		**4,541,637**	4,935,082
Current income tax liabilities		**1,588,124**	1,885,842
Financial guarantee contracts due with one year		**56,838**	56,981
Dividends payable to non-controlling interests		**372,421**	311,380
		206,782,256	203,460,619
Net current liabilities		**(75,809,533)**	(78,781,675)
Total assets less current liabilities		**141,574,541**	137,326,708
Non-current liabilities			
Borrowings – amount due after one year	21	**46,226,652**	44,492,436
Deferred income		**963,411**	968,633
Obligations under finance leases		**15,387,357**	14,141,494
Deferred income tax liabilities		**2,154,644**	2,180,470
		64,732,064	61,783,033
Net assets		**76,842,477**	75,543,675
Capital and reserves			
Share capital	22	**5,399,026**	5,399,026
Reserves		**37,158,311**	36,434,035
Equity attributable to:			
Owners of the Company		**42,557,337**	41,833,061
Holders of perpetual capital instruments		**12,304,936**	12,003,686
Non-controlling interests		**21,980,204**	21,706,928
Total equity		**76,842,477**	75,543,675

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Fair value reserve	Exchange reserve	Retained earnings	Total	Holders of perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017 (audited)	5,399,026	4,824,481	1,192,881	2,912,209	(438,413)	(160,192)	28,119,840	41,849,832	12,003,686	21,714,019	75,567,537
– Adjustment for business combination under common control *(Note 25)*	–	–	10,000	–	–	–	(26,771)	(16,771)	–	(7,091)	(23,862)
As restated	5,399,026	4,824,481	1,202,881	2,912,209	(438,413)	(160,192)	28,093,069	41,833,061	12,003,686	21,706,928	75,543,675
Profit for the period	–	–	–	–	–	–	885,364	885,364	301,250	641,244	1,827,858
Other comprehensive income/(expense), net of tax											
Currency translation differences	–	–	–	–	–	3,768	–	3,768	–	(8,714)	(4,946)
Changes in the fair value of available-for-sale financial assets, net	–	–	–	–	53,464	–	–	53,464	–	(4,747)	48,717
Shares of associates' other comprehensive expense	–	–	–	–	(4,166)	–	–	(4,166)	–	–	(4,166)
Total comprehensive income for the period	–	–	–	–	49,298	3,768	885,364	938,430	301,250	627,783	1,867,463
Dividends *(Note 10)*	–	–	–	–	–	–	(232,158)	(232,158)	–	–	(232,158)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(330,923)	(330,923)
Disposal of subsidiaries *(Note 23 (b))*	–	–	–	–	–	–	–	–	–	14	14
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries *(Note 24(a))*	–	–	(3,875)	–	–	–	–	(3,875)	–	(19,125)	(23,000)
Contribution from former shareholders of a subsidiary related to business combination under common control	–	–	23,300	–	–	–	–	23,300	–	–	23,300
Business combination under common control *(Note 25)*	–	–	(7,189)	–	–	–	–	(7,189)	–	7,071	(118)
Appropriate to statutory reserve	–	–	–	18,482	–	–	(18,482)	–	–	–	–
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	(4,001)	(4,001)
Others	–	–	5,768	–	–	–	–	5,768	–	(7,543)	(1,775)
Balance at 30 June 2017 (unaudited)	5,399,026	4,824,481	1,220,885	2,930,691	(389,115)	(156,424)	28,727,793	42,557,337	12,304,936	21,980,204	76,842,477

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve fund *RMB'000*	Fair value reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Holders of perpetual capital instruments *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016 (audited)	5,399,026	4,824,481	1,618,149	2,376,089	60,627	(161,534)	27,798,845	41,915,683	9,994,863	21,581,514	73,492,060
– Adjustment for business combination under common control	–	–	10,000	–	–	–	(16,698)	(6,698)	–	(4,423)	(11,121)
As restated	5,399,026	4,824,481	1,628,149	2,376,089	60,627	(161,534)	27,782,147	41,908,985	9,994,863	21,577,091	73,480,939
Profit for the period (restated)	–	–	–	–	–	–	109,114	109,114	258,250	330,264	697,628
Other comprehensive expense, net of tax											
Currency translation differences	–	–	–	–	–	(12,275)	–	(12,275)	–	(8,102)	(20,377)
Changes in the fair value of available-for-sale financial assets, net	–	–	–	–	(293,710)	–	–	(293,710)	–	(9,282)	(302,992)
Shares of associates' other comprehensive expense	–	–	–	–	(84)	(4,676)	–	(4,760)	–	–	(4,760)
Total comprehensive (expense)/income for the period	–	–	–	–	(293,794)	(16,951)	109,114	(201,631)	258,250	312,880	369,499
Dividends *(Note 10)*	–	–	–	–	–	–	(199,764)	(199,764)	–	–	(199,764)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(388,997)	(388,997)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	1,000	1,000
Increase in non-controlling interests as a result of acquisition of additional interest in subsidiaries *(Note 24(a))*	–	–	(26,096)	–	–	–	–	(26,096)	–	16,170	(9,926)
Deemed partial disposal of interests in subsidiaries without losing control *(Note 24(b))*	–	–	(63,899)	–	–	–	–	(63,899)	–	75,099	11,200
Share of reserves in associates	–	–	(3,090)	–	–	–	–	(3,090)	–	–	(3,090)
Others	–	–	4,107	–	–	–	–	4,107	–	1,888	5,995
Balance at 30 June 2016 (unaudited), as restated	5,399,026	4,824,481	1,539,171	2,376,089	(233,167)	(178,485)	27,691,497	41,418,612	10,253,113	21,595,131	73,266,856

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Net cash generated from operating activities	**5,645,006**	2,494,582
Investing activities		
Purchases of property, plant and equipment	**(4,830,570)**	(3,855,657)
Purchases of intangible assets	**(297,301)**	(253,676)
Proceeds from acquisition of subsidiaries, net of cash and cash equivalents acquired	**655**	–
Payments for acquisition of interests in associates	**(29,083)**	–
Deposits paid	**(4,010,677)**	(3,624,074)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	**14,702**	–
Other investing cash flows, net	**3,994,550**	3,299,119
Net cash used in investing activities	**(5,157,724)**	(4,434,288)
Financing activities		
Interest paid	**(4,559,348)**	(3,966,847)
Dividends paid to shareholders	**(232,158)**	(199,764)
Dividends paid to the non-controlling interests of subsidiaries	**(330,923)**	(109,235)
Repayment of borrowings	**(81,480,300)**	(94,243,591)
New borrowings raised	**84,820,652**	105,766,205
Other financing cash flows, net	**3,509,794**	(1,003,302)
Net cash generated from financing activities	**1,727,717**	6,243,466
Net increase in cash and cash equivalents	**2,214,999**	4,303,760
Cash and cash equivalents at 1 January	**10,252,050**	10,584,099
Effect of foreign exchange rate changes	**85,490**	(12,770)
Cash and cash equivalents at 30 June	**12,552,539**	14,875,089

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

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

The Company's immediate and ultimate holding company is China National Building Material Group Co., Ltd* (formerly known as "China National Building Materials Group Corporation") ("Parent"), which is a state-owned enterprise established on 3 January 1984 under the laws of the PRC.

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

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

The condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and in compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016, which has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board.

* *For identification only*

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

The accounting policies used in this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Business combination under common control

On 20 October 2016, CNBM New Energy Engineering Co., Ltd. (中建材新能源工程有限公司) ("New Energy"), a former associate of the Group, with 35% shareholding held by an indirect subsidiary of the Group, Jetion Solar (China) Co., Ltd (中建材浚鑫科技股份有限公司) ("Jetion Solar"), reduced its registered and paid-up capital from RMB50,000,000 to RMB17,500,000. As a result of the reduction of the registered and paid-up capital, the another two shareholders of New Energy, China National Building Materials & Equipment Import & Export Corporation (中建材集團進出口公司) ("CNBM Trading") and CNBM International Trading Limited (中建材國際貿易有限公司) ("International Trading") withdrew their investments, resulted in the increase in shareholding in New Energy held by Jetion Solar from 35% to 100% (the "deemed acquisition") and thus New Energy has become a subsidiary of the Group since then.

As CNBM Trading, International Trading and the Group are controlled by China National Building Material Group Co., Ltd, the deemed acquisition has been accounted for based on the principles of merger accounting.

On 20 May 2017, one of the indirect subsidiaries of the Group, South New Materials Technology Company Limited (南方新材料科技有限公司) ("South New Materials") entered into an equity transfer agreement to acquire 51% and 49% equity interests of Zhuzhou Sinoma Concrete Co., Ltd. (株洲中材混凝土有限公司) ("Zhuzhou Sinoma Concrete") from Suzhou Concrete Cement Products Academy Co., Ltd. (蘇州混凝土水泥制品研究院有限公司) ("Suzhou Concrete Cement") and Sinoma Zhuzhou Cement Co., Ltd.(中材株洲水泥有限責任公司) ("Sinoma Zhuzhou Cement") at cash consideration of approximately RMB60,000 and RMB58,000, respectively, ("the Acquisition") and thus Zhuzhou Sinoma Concrete has become a subsidiary of the Group since then.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

Business combination under common control *(Continued)*

As Suzhou Concrete Cement, Sinoma Zhuzhou Cement and the Group are controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC"), the Acquisition has been accounted for based on the principles of merger accounting. The condensed consolidated interim financial information of the Group has been prepared using the merger basis of accounting as if the current group structure has been in existence through out the periods presented. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been restated as a result of adoption of merger accounting for the above business combinations under common control.

The details of the relevant balances have been disclosed in Note 25 to this condensed consolidated financial statements.

(a) New and amended standards adopted by the Group

The following new standards and amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2017:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle-various Standards

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2017, and have not been early adopted by the Group:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle-various standard[1]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 The original effective date of 1 January 2016 has been postponed until further announcement by the IASB.

4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2017, and have not been early adopted by the Group: *(Continued)*

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

3. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.2 Liquidity risk

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

4.3 Fair value measurement of financial instruments

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

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

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

The following table presents the Group's assets and liability that are measured at fair value at 30 June 2017:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through profit or loss	1,758,298	–	913,206	2,671,504
Available-for-sale financial assets	1,319,115	–	806,508	2,125,623
Total assets (unaudited)	3,077,413	–	1,719,714	4,797,127
Liability				
Financial guarantee contracts	–	–	56,838	56,838
Total liability (unaudited)	–	–	56,838	56,838

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

The following table presents the Group's assets and liability that are measured at fair value at 31 December 2016:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through profit or loss	1,703,414	–	989,527	2,692,941
Available-for-sale financial assets	1,310,756	–	833,521	2,144,277
Total assets (unaudited)	3,014,170	–	1,823,048	4,837,218
Liability				
Financial guarantee contracts	–	–	56,981	56,981
Total liability (unaudited)	–	–	56,981	56,981

During the six months ended 30 June 2017, there were no significant transfers between levels of the financial assets and financial liability.

During the six months ended 30 June 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liability.

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

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

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

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

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

Information about Level 3 fair value measurements:

Financial assets	Fair value as at 30 June 2017	Fair value as at 31 December 2016	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB913,206,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB989,527,000	Discounted cash flows Key unobservable inputs are: Expected yields of 2.85% to 4.00% of money markets and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks *(Note)*	The higher the discount rate, the lower the fair value The higher the expected yield, the higher the fair value

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

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

Financial assets	Fair value as at 30 June 2017	Fair value as at 31 December 2016	Valuation technique(s) and key input(s)	Relationship of unobservable inputs to fair value
Equity investments classified as AFS	16.67 per cent equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB806,508,000	16.67 per cent equity investment (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB833,521,000	Market approach – Capital Asset Pricing Model (CAPM) Key unobservable inputs are: Specific risk adjustment coefficient (Rc) of 12%, taking into account Shanshui Cement's recent operating situation	The higher the Specific risk adjustment coefficient, the lower the fair value

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. SEGMENT INFORMATION

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

Principal activities are as follows:

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

More than 90% of the Group's operations and assets are located in the PRC for the six months ended 30 June 2017 and year ended 31 December 2016.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. SEGMENT INFORMATION *(CONTINUED)*

(a) For the six months ended 30 June 2017:

The segment results for the six months ended 30 June 2017 are as follows:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue								
External sales	32,078,265	11,765,424	4,338,946	744,185	3,773,392	661,728	–	53,361,940
Inter-segment sales *(Note)*	2,284,775	–	2,739	–	167,176	444,944	(2,899,634)	–
	34,363,040	11,765,424	4,341,685	744,185	3,940,568	1,106,672	(2,899,634)	53,361,940
Adjusted EBITDA (unaudited)	7,905,808	1,101,743	1,049,908	143,331	722,828	120,132		11,043,750
Depreciation and amortisation	(3,155,568)	(403,772)	(243,878)	(42,569)	(103,185)	(52,854)	–	(4,001,826)
Unallocated other expense, net								(18,390)
Unallocated administrative expenses								(145,446)
Share of profits/(losses) of associates	121,126	–	(226)	1,716	(254)	307,364	–	429,726
Finance costs, net	(3,547,420)	(652,716)	(36,615)	(16,699)	(252,118)	(147,437)	–	(4,653,005)
Unallocated finance incomes, net								20,427
Profit before income tax								2,675,236
Income tax expense								(847,378)
Profit for the period (unaudited)								1,827,858

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. SEGMENT INFORMATION *(CONTINUED)*

(a) For the six months ended 30 June 2017: *(Continued)*

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

(b) As at 30 June 2017:

The segment assets and liabilities as at 30 June 2017 are as follows:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fibre and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
ASSETS								
Segment assets	212,956,841	44,477,840	12,810,440	5,594,462	20,086,661	6,555,183	–	302,481,427
Interests in associates	5,998,154	–	122,524	3,813,906	15,612	648,804	–	10,599,000
Unallocated assets								35,276,370
Total consolidated assets (unaudited)								348,356,797
LIABILITIES								
Segment liabilities	(138,113,420)	(16,074,633)	(3,617,882)	(2,807,830)	(16,922,832)	(8,859,749)	–	(186,396,346)
Unallocated liabilities								(85,117,974)
Total consolidated liabilities (unaudited)								(271,514,320)

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

Unaudited	Cement *RMB'000* (restated)	Concrete *RMB'000* (restated)	Lightweight building materials *RMB'000* (restated)	Glass fibre and composite materials *RMB'000* (restated)	Engineering services *RMB'000* (restated)	Others *RMB'000* (restated)	Eliminations *RMB'000* (restated)	Total *RMB'000* (restated)
Revenue								
External sales	25,769,201	9,681,301	3,419,734	986,170	3,467,286	780,033	–	44,103,725
Inter-segment sales *(Note)*	1,930,086	–	221	–	200,819	548,889	(2,680,015)	–
	27,699,287	9,681,301	3,419,955	986,170	3,668,105	1,328,922	(2,680,015)	44,103,725
Adjusted EBITDA (unaudited)	6,131,303	1,318,638	971,676	132,799	624,383	(12,777)	–	9,166,022
Depreciation and amortisation	(3,118,420)	(455,777)	(224,022)	(41,023)	(88,855)	(51,046)	–	(3,979,143)
Unallocated other income, net								113,098
Unallocated administrative expenses								(125,672)
Share of profits/(losses) of associates	(17,460)	–	937	1,693	(290)	253,672	–	238,552
Finance costs, net	(3,328,429)	(623,263)	(43,964)	(16,208)	(179,139)	(127,483)	–	(4,318,486)
Unallocated finance incomes, net								170,592
Profit before income tax								1,264,963
Income tax expense								(567,335)
Profit for the period (unaudited)								697,628

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

(d) As at 31 December 2016:

The segment assets and liabilities as at 31 December 2016 are as follows:

unaudited	Cement *RMB'000* (restated)	Concrete *RMB'000* (restated)	Lightweight building materials *RMB'000* (restated)	Glass fibre and composite materials *RMB'000* (restated)	Engineering services *RMB'000* (restated)	Others *RMB'000* (restated)	Eliminations *RMB'000* (restated)	Total *RMB'000* (restated)
ASSETS								
Segment assets	209,435,150	43,283,317	12,293,214	5,622,909	17,272,276	6,246,408	–	294,153,274
Interests in associates	6,255,073	–	125,763	3,671,836	17,688	644,793	–	10,715,153
Unallocated assets								35,918,900
Total consolidated assets (unaudited)								340,787,327
LIABILITIES								
Segment liabilities	(140,452,555)	(14,362,338)	(3,396,137)	(3,168,229)	(16,990,015)	(8,156,158)	–	(186,525,432)
Unallocated liabilities								(78,718,220)
Total consolidated liabilities (unaudited)								(265,243,652)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. SEGMENT INFORMATION *(CONTINUED)*

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Adjusted EBITDA for reportable segments	**10,923,618**	9,178,799
Adjusted EBITDA for other segment	**120,132**	(12,777)
Total segments profit	**11,043,750**	9,166,022
Depreciation of property, plant and equipment, and amortisation of intangible assets and prepaid lease payments	**(4,001,826)**	(3,979,143)
Corporate items	**(163,836)**	(12,574)
Operating profit	**6,878,088**	5,174,305
Finance costs, net	**(4,632,578)**	(4,147,894)
Share of profits of associates	**429,726**	238,552
Profit before income tax	**2,675,236**	1,264,963

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

6. INVESTMENT AND OTHER INCOME, NET

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Increase/(decrease) in fair value of financial assets at fair value through profit or loss	**48,563**	(429,867)
Government subsidies:		
– VAT refunds *(Note (a))*	**384,866**	520,499
– Government grants *(Note (b))*	**191,484**	631,146
– Interest subsidy	**1,999**	18,654
Net rental income	**61,130**	151,211
Gain on disposal of other investments	**6,518**	1,377
Gain on disposal of interests in associates	**92,194**	–
Gain on disposal of subsidiaries, net *(Note 23(b))*	**58,435**	–
Claims received	**14,529**	10,583
Waiver of payables	**45,217**	8,402
Others	**277,995**	231,151
	1,182,930	1,143,156

Notes:

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

(b) Government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Interest expenses on bank borrowings:		
– wholly repayable within five years	**2,691,381**	2,451,404
– not wholly repayable within five years	**5,956**	11,885
	2,697,337	2,463,289
Interest expenses on bonds, other borrowings and finance leases	**2,167,422**	2,080,463
Less: interest capitalised to construction in progress	**(78,688)**	(139,232)
	4,786,071	4,404,520
Interest income:		
– interest on bank deposits	**(125,888)**	(233,146)
– interest on loan receivables	**(27,605)**	(23,480)
	(153,493)	(256,626)
Finance costs, net	**4,632,578**	4,147,894

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment, and amortisation of intangible assets and prepaid lease payments	**4,026,778**	4,004,042
Depreciation of investment properties	**4,769**	5,005
Allowance for bad and doubtful debts	**152,958**	211,450
Staff costs	**4,488,017**	4,517,762
Loss/(gain) on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**32,246**	(38,227)
Net foreign exchange gains	**(54,711)**	(55,919)

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax	**1,031,543**	728,288
Deferred income tax	**(184,165)**	(160,953)
	847,378	567,335

PRC income tax is calculated at 25% (2016: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rate of 15% (2016: 15%) entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

Taxation on profits outside the PRC has been calculated on the estimated assessable profits for the six months ended 30 June 2017 and 2016 at the rates of taxation prevailing in the countries in which the Group operates.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

10. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends	**232,158**	199,764

During the period, a dividend amounting to approximately RMB232.16 million (six months ended 30 June 2016: approximately RMB199.76 million) was announced as the final dividend for the immediate preceding financial year.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	**885,364**	109,114

	Six months ended 30 June	
	2017	2016
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue	**5,399,026**	5,399,026

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

12. PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2017

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2017 (audited), as previously reported	7,835,156	63,246,494	54,662,981	3,343,460	129,088,091
Business construction under common control (*Note(25)*)	–	–	1,184	6,455	7,639
Net book value as at 1 January 2017 (unaudited), as restated	7,835,156	63,246,494	54,664,165	3,349,915	129,095,730
Additions	3,783,915	383,044	572,214	54,656	4,793,829
Acquisition of subsidiaries *Note 23(a)*	312	115,385	63,401	1,024	180,122
Transfer from construction in progress	(1,980,686)	837,013	1,141,202	2,471	–
Transfer to construction in progress for reconstruction	364,980	(40,092)	(324,664)	(224)	–
Transfer from investment properties	–	33,074	–	–	33,074
Disposals	(166,233)	(84,528)	(268,939)	(29,929)	(549,629)
Disposals of subsidiaries *Note 23(b)*	(5,636)	–	(272,068)	(15)	(277,719)
Depreciation and impairment	–	(956,240)	(2,387,154)	(294,386)	(3,637,780)
Net book value as at 30 June 2017 (unaudited)	9,831,808	63,534,150	53,188,157	3,083,512	129,637,627

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

12. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Year ended 31 December 2016

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2016 (audited), as previously stated	5,300,917	62,136,927	54,966,148	3,821,438	126,225,430
Business combination under common control	–	–	4,478	8,177	12,655
Net book value as at 1 January 2016 (unaudited), as restated	5,300,917	62,136,927	54,970,626	3,829,615	126,238,085
Additions	8,914,906	1,083,400	582,401	148,430	10,729,137
Acquisition of subsidiaries	135,836	–	6,206	924	142,966
Transfer from construction in progress	(6,831,362)	2,425,530	4,367,722	38,110	–
Transfer to construction in progress for reconstruction	483,662	(126,320)	(357,342)	–	–
Disposals	(168,803)	(208,341)	(212,921)	(45,699)	(635,764)
Depreciation and impairment	–	(2,064,702)	(4,692,527)	(621,465)	(7,378,694)
Net book value as at 31 December 2016 (unaudited)	7,835,156	63,246,494	54,664,165	3,349,915	129,095,730

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

13. GOODWILL

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
At the beginning of the period/year	**42,604,255**	42,604,255
Arising from acquisition of subsidiaries *(Note 23(a))*	**150,861**	–
Deregistration of a subsidiary	**(30,727)**	–
At the end of the period/year	**42,724,389**	42,604,255

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cement	**33,770,283**	33,619,422
Concrete	**8,721,635**	8,752,362
Lightweight building materials	**92,552**	92,552
Glass fibre and composite materials	**15,991**	15,991
Engineering services	**62**	62
Others	**123,866**	123,866
	42,724,389	42,604,255

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

14. INTERESTS IN ASSOCIATES

	30 June 2017 ***RMB'000*** **(unaudited)**	31 December 2016 *RMB'000* (unaudited)
Cost of investments in associates		
– listed in the PRC	**1,447,591**	1,594,123
– unlisted	**4,389,184**	4,361,911
Share of post-acquisition profit, net of dividend received	**4,762,225**	4,759,119
	10,599,000	10,715,153
Fair value of listed investments	**10,882,553**	9,689,119

As at 30 June 2017, the cost of investments in associates included goodwill of associates of approximately RMB741.26 million (31 December 2016: approximately RMB854.56 million).

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 ***RMB'000*** **(unaudited)**	31 December 2016 *RMB'000* (unaudited)
Available-for-sale financial assets:		
– Unlisted equity shares, at cost *(Note i)*	**1,070,442**	995,376
– Listed equity shares listed in Hong Kong *(Note ii)*	**1,575,879**	1,581,129
– Listed equity shares listed outside Hong Kong	**549,744**	563,148
	3,196,065	3,139,653

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

Non-current portion	**3,138,529**	3,095,655
Current portion	**57,536**	43,998
	3,196,065	3,139,653

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

Note ii: As at 30 June 2017, the Group has pledged listed equity shares listed in Hong Kong with the carrying amount of approximately RMB1,054.98 million (31 December 2016: RMB1,026.47 million) to secure bank borrowings granted to the Group. In addition, share of Shanshui Cement with carrying amount of RMB806.51 million (31 December 2016: RMB833.52 million) are subject to the negative pledge covenant in relation to a bank borrowing of HKD1,450.00 million (equivalent to RMB1,258.46 million) (31 December 2016: HKD1,450.00 million (equivalent to RMB1,214.81 million)).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

16. DEPOSITS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (unaudited)
Investment deposits for acquisition of subsidiaries	**911,873**	804,008
Deposits paid to acquire property, plant and equipment	**2,602,923**	2,108,902
Deposits paid to acquire intangible assets	**171,240**	266,093
Deposits paid in respect of prepaid lease payments	**324,641**	343,248
	4,010,677	3,522,251

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

17. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (restated) (unaudited)
Trade receivables, net of allowance for bad and doubtful debts	**32,797,332**	30,294,756
Bills receivable	**10,747,648**	8,550,735
Amounts due from customers for contract work	**6,900,943**	6,109,450
Prepaid lease payments	**347,720**	358,573
Other receivables, deposits and prepayments	**28,483,898**	31,268,842
	79,277,541	76,582,356

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

17. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The Group normally allowed an average of credit period of 60 to 180 days to its trade customers except for customers of engineering services segment, the credit period are normally ranging from 1 to 2 years. Ageing analysis of trade receivables is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Within two months	**9,935,007**	6,074,082
More than two months but within one year	**15,239,154**	16,564,969
Between one and two years	**5,171,886**	5,550,258
Between two and three years	**1,707,545**	1,532,729
Over three years	**743,740**	572,718
	32,797,332	30,294,756

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

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Held-for-trading investments at market value:		
– Quoted investment funds listed outside Hong Kong	**267**	234
– Quoted listed equity shares listed outside Hong Kong	**1,758,031**	1,703,180
	1,758,298	1,703,414
Unlisted investments *(Note)*	**913,206**	989,527
	2,671,504	2,692,941

Note: During the six months ended 30 June 2017, the Group entered into certain investments with certain financial institutions. The investment based on respective contracts have maturity dates within 3 months.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

19. PLEDGED BANK DEPOSITS

As at 30 June 2017, the Group pledged approximately RMB9,006.44 million bank deposits (31 December 2016: approximately RMB7,973.77 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Pledged bank deposits carry interest at market rates which ranging from 0.30% to 3.30% (the year ended 31 December 2016: ranging from 0.30% to 3.30%) per annum.

20. TRADE AND OTHER PAYABLES

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Within two months	**6,234,595**	4,336,387
More than two months but within one year	**9,780,576**	11,237,743
Between one and two years	**2,089,524**	2,608,584
Between two and three years	**771,730**	749,689
Over three years	**895,346**	860,710
Trade payables	**19,771,771**	19,793,113
Bills payable	**13,855,770**	13,077,193
Amounts due to customers for contract work	**650,541**	495,578
Other payables	**14,999,457**	15,994,999
	49,277,539	49,360,883

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

21. BORROWINGS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank borrowings:		
– Secured	**2,923,967**	3,544,159
– Unsecured	**119,294,319**	108,071,345
	122,218,286	111,615,504
Bonds	**64,091,075**	72,000,000
Borrowings from other financial institutions	**1,486,973**	1,679,319
	187,796,334	185,294,823
Analysed for reporting purposes:		
Non-current	**46,226,652**	44,492,436
Current	**141,569,682**	140,802,387
	187,796,334	185,294,823

The interest rates of the borrowings are ranging from 1.00% to 6.90% per annum during the period (the year ended 31 December 2016: ranging from 1.00% to 6.87%).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

21. BORROWINGS *(CONTINUED)*

Movements in borrowings are analysed as follows:

Six months ended 30 June 2017	***RMB'000***
Opening amount 1 January 2017 (unaudited)	**185,294,823**
Additions during the period	**84,820,652**
Repayments of borrowings	**(82,319,141)**
Closing amount at 30 June 2017 (unaudited)	**187,796,334**

Year ended 31 December 2016	*RMB'000*
Opening amount at 1 January 2016 (audited)	174,926,771
Additions during the period	203,725,058
Repayments of borrowings	(193,357,006)
Closing amount at 31 December 2016 (unaudited)	185,294,823

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

	30 June 2017 ***RMB'000*** **(unaudited)**	31 December 2016 *RMB'000* (unaudited)
Property, plant and equipment	**9,861,800**	11,360,082
Prepaid lease payments	**96,282**	196,932
Available-for-sale financial assets *(Note 15)*	**1,054,982**	1,026,473
Cash and cash equivalents *(Note 19)*	**9,006,437**	7,973,769
Trade receivables	**1,765,149**	781,432
Bills receivable	**35,500**	46,070
	21,820,150	21,384,758

Note: In addition, share of Shanshui Cement with carrying amount of RMB806.51 million (31 December 2016: RMB833.52 million) are subject to the negative pledge covenant in relation to a bank borrowing of HKD1,450.00 million (equivalent to RMB1,258.46 million) (31 December 2016: HKD1,450.00 million (equivalent to RMB1,214.81 million)).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

22. SHARE CAPITAL

	Domestic Shares *(Note (a))*		H Shares *(Note (b))*		
	Number of shares	Amount	Number of shares	Amount	Total capital
		RMB'000		*RMB'000*	*RMB'000*
Registered and paid up shares of RMB1.0 each					
As at 1 January 2016, 31 December 2016, 1 January 2017 and 30 June 2017	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

There are no movements in share capital during the six months ended 30 June 2017.

Notes:

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

23. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries not under common control

During the six months ended 30 June 2017, the Group acquired 2 (six months ended 30 June 2016: nil) subsidiaries, namely, Heilongjiang Xinglong Cement Company Limited (“黑龍江省興隆水泥有限公司”) (“Heilongjiang Xinglong”) and Lingui Zhongyang Cement Company Limited (“臨桂眾陽水泥有限公司”) (“Lingui Zhongyang”) and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the production and sale of cement.

These acquisitions have been accounted for using the acquisition method.

Summary of net assets acquired in the transactions during the period, and the goodwill arising, are as follows:

	2017	2016
	Fair value	Fair value
	RMB’000	*RMB’000*
Net assets acquired:		–
Property, plant and equipment *(Note 12)*	**180,122**	
Intangible assets	**1,610**	–
Prepaid lease payments	**55,429**	–
Deferred income tax assets	**8,550**	–
Inventories	**21,061**	–
Trade and other receivables	**238,673**	–
Cash and cash equivalents	**655**	–
Trade and other payables	**(65,548)**	–
Amounts due to related parties	**(280,037)**	–
Deferred income tax liabilities	**(13,606)**	–
Net assets	**146,909**	–
Goodwill *(Note 13)*	**150,861**	–
Total consideration	**297,770**	–

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

23. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries not under common control *(continued)*

	2017 **Fair value** ***RMB'000***	2016 Fair value *RMB'000*
Total consideration satisfied by:		
Other payables *(Note)*	**108,309**	–
Transferred from prepayment	**189,461**	–
	297,770	–
Net cash inflow arising on acquisition:		
Cash consideration paid	**–**	–
Less: Cash and cash equivalents acquired	**655**	–
	655	–

Note: Included in the amount, RMB103.47 million will be offset against receivables from the former shareholders of the acquired subsidiary after the reporting period ended date as pursuant to the supplementary agreement on repayment.

The goodwill mainly arising on the acquisition of these companies is attributable to the benefit of expected revenue growth and future market development, and the synergies in consolidating the Group's cement and concrete operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the revenue and loss for the period are approximately RMBnil million and RMB2.01 million respectively attributable to the additional business mainly generated by these newly acquired cement and concrete companies.

Had these business combinations been effected at 1 January 2017, the revenue of the Group would be approximately RMB53,456.42 million and profit for the period of the Group would be approximately RMB1,829.79 million. The management of the Company considers these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

23. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries

During the six months ended 30 June 2017, the Group disposed its equity interests in certain subsidiaries to third parties. The net liabilities of these disposed subsidiaries at the date of disposal were as follows:

	2017 *RMB'000*	2016 *RMB'000*
Net liabilities disposed of:		
Property, plant and equipment *(Note 12)*	**277,719**	–
Trade and other receivables	**203,139**	–
Cash and cash equivalents	**822**	–
Trade and other payables	**(2,489)**	–
Current income tax liabilities	**(60)**	–
Amounts due to related parties	**(202,799)**	–
Obligations under finance leases	**(302,775)**	–
Deferred income tax liabilities	**(1)**	–
Net liabilities disposal of	**(26,444)**	–
Consideration received:		
Cash	**15,561**	–
Other receivables	**16,481**	–
Non-controlling interests	**(14)**	–
Add: net liabilities disposed of	**26,444**	
Less: direct costs attributable to the disposal	**(37)**	
Gain on disposal of subsidiaries, net *(Note 6)*	**58,435**	–
Net cash inflow of cash arising from disposal of subsidiaries:		–
Cash consideration	**15,561**	
Direct costs attributable to the disposal	**(37)**	–
Cash and cash equivalents in subsidiaries disposed of	**(822)**	–
Net cash inflow from disposal of subsidiaries	**14,702**	–

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

24. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

Zhongyi Kaisheng (Bengbu) Glass Cold End Machinery Co., Ltd ("中意凱盛(蚌埠)玻璃冷端機械有限公司") ("Zhongyi Kaisheng")

During the six months ended 30 June 2017, the Group acquired additional equity interests in Zhongyi Kaisheng for a consideration of approximately RMB23.00 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB19.12 million. The Group recognised an decrease in non-controlling interests of approximately RMB19.12 million and a decrease in equity attributable to owners of the Company of approximately RMB3.88 million.

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

During the six months ended 30 June 2016, the Group acquired additional issued shares of Shenyang Dexin for a consideration of approximately RMB9.93 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB-16.17 million. The Group recognised an increase in non-controlling interests of approximately RMB16.17 million and a decrease in equity attributable to owners of the Company of approximately RMB26.10 million.

	30 June 2017 *RMB'000* **(unaudited)**	30 June 2016 *RMB'000* (unaudited)
Carrying amount of non-controlling interests acquired	**19,125**	(16,170)
Consideration paid to non-controlling interests	**(23,000)**	(9,926)
Excess of consideration paid recognised within parent's equity	**(3,875)**	(26,096)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

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

During the six months ended 30 June 2016, non-controlling parties of China Triumph International Engineering Company Limited ("China Triumph") injected RMB11.20 million as registered capital. After that, the Company's effective equity interests in China Triumph were diluted from 93.09% to 91.00%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB63.90 million and increase in non-controlling interests of approximately RMB75.10 million.

	30 June 2017 *RMB'000* **(unaudited)**	30 June 2016 *RMB'000* (unaudited)
Carrying amount of equity interest obtained by non-controlling interests	–	(75,099)
Capital contributed by non-controlling interests	–	11,200
Loss on disposal within equity	–	(63,899)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

25. BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 2 to the condensed consolidated interim financial information, the acquisitions of New Energy and Zhuzhou Sinoma Concrete have been accounted for based on merger accounting.

The reconciliation of the effect arising from the common control combination on the condensed consolidated statements of financial position as at 31 December 2016 and 30 June 2017 are as follows:

As at 30 June 2017

	The Group excluding Zhuzhou Sinoma Concrete *RMB'000* (unaudited)	Zhuzhou Sinoma Concrete *RMB'000* (unaudited)	Adjustments *RMB'000* (unaudited)	Consolidated *RMB'000* (unaudited)
Assets and liabilities				
Property, plant and equipment	129,613,518	24,109	–	129,637,627
Investment in a subsidiary	118	–	(118)	–
Other non-current assets	87,746,447	–	–	87,746,447
Inventories	17,046,504	123	–	17,046,627
Trade and other receivables	79,277,018	523	–	79,277,541
Cash and cash equivalents	12,551,967	572	–	12,552,539
Other current assets	22,096,016	–	–	22,096,016
Trade and other payables	(49,276,228)	(1,311)	–	(49,277,539)
Amounts due to related parties	(9,351,801)	(24,214)	–	(9,376,015)
Other current liabilities	(148,128,702)	–	–	(148,128,702)
Non-current liabilities	(64,732,064)	–	–	(64,732,064)
Net assets/(net liabilities)	76,842,793	(198)	(118)	76,842,477
Equity				
Share capital	5,399,026	33,300	(33,300)	5,399,026
Reserves	37,157,677	(33,498)	34,132	37,158,311
Owners of the Company	42,556,703	(198)	832	42,557,337
Holders of perpetual capital instruments	12,304,936	–	–	12,304,936
Non-controlling interests	21,981,154	–	(950)	21,980,204
	76,842,793	(198)	(118)	76,842,477

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

25. BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

As at 31 December 2016

	The Group excluding Zhuzhou Sinoma Concrete *RMB'000* (audited)	Zhuzhou Sinoma Concrete *RMB'000* (unaudited)	Adjustments *RMB'000* (unaudited)	Consolidated *RMB'000* (unaudited)
Assets and liabilities				
Property, plant and equipment	129,088,091	7,639	–	129,095,730
Investment properties	315,660	17,840	–	333,500
Other non-current assets	86,679,153	–	–	86,679,153
Trade and other receivables	76,576,890	5,466	–	76,582,356
Amounts due from related parties	11,928,255	797	–	11,929,052
Cash and cash equivalents	10,250,639	1,411	–	10,252,050
Other current assets	25,915,486	–	–	25,915,486
Trade and other payables	(49,353,538)	(7,345)	–	(49,360,883)
Amounts due to related parties	(6,058,394)	(49,670)	–	(6,108,064)
Other current liabilities	(147,991,672)	–	–	(147,991,672)
Non-current liabilities	(61,783,033)	–	–	(61,783,033)
Net assets/(net liabilities)	75,567,537	(23,862)	–	75,543,675
Equity				
Share capital	5,399,026	10,000	(10,000)	5,399,026
Reserves	36,450,806	(33,862)	17,091	36,434,035
Owners of the Company	41,849,832	(23,862)	7,091	41,833,061
Holders of perpetual capital instruments	12,003,686	–	–	12,003,686
Non-controlling interests	21,714,019	–	(7,091)	21,706,928
	75,567,537	(23,862)	–	75,543,675

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

25. BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The reconciliation of the effect arising from the common control combination on the condensed consolidated income statement for the six months ended 30 June 2016 is as follows:

	The Group excluding New Energy and Zhuzhou Sinoma Concrete *RMB'000* (unaudited)	New Energy *RMB'000* (unaudited)	Zhuzhou Sinoma Concrete *RMB'000* (unaudited)	Adjustments *RMB'000* (unaudited)	Consolidated *RMB'000* (unaudited)
Revenue	44,103,725	–	–	–	44,103,725
Cost of sales	(32,814,211)	–	–	–	(32,814,211)
Gross profit	11,289,514	–	–	–	11,289,514
Investment and other income, net	1,141,315	–	1,841	–	1,143,156
Selling and distribution costs	(3,130,611)	–	–	–	(3,130,611)
Administrative expenses	(4,124,904)	(200)	(2,650)	–	(4,127,754)
Finance costs, net	(4,147,899)	4	1	–	(4,147,894)
Share of profits of associates	238,483	–	–	69	238,552
Profit/(loss) before income tax	1,265,898	(196)	(808)	69	1,264,963
Income tax expense	(567,335)	–	–	–	(567,335)
Profit/(loss) for the period	698,563	(196)	(808)	69	697,628
Profit/(loss) attributable to:					
Owners of the Company	109,813	(196)	(808)	305	109,114
Holders of perpetual capital instruments	258,250	–	–	–	258,250
Non-controlling interests	330,500	–	–	(236)	330,264
	698,563	(196)	(808)	69	697,628

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

25. BUSINESS COMBINATION UNDER COMMON CONTROL *(CONTINUED)*

The effect of business combinations of entities under common control described above, on the Group's basic and dilutes earnings per share for the six months ended 30 June 2016 is as follows:

	Impact on earnings per share *RMB* (unaudited)
Reported figures before restatement	0.020
Restatement arising from business combinations of entities under common control	–
Restated	0.020

The effect of business combinations of entities under common control described above, on the Group's net profit for the six months ended 30 June 2016 is as follows:

	Net profit *RMB'000* (unaudited)
Reported figures before restatement	698,563
Restatement arising from business combinations of entities under common control	(935)
Restated	697,628

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

26. COMMITMENTS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Capital expenditure of the Group contracted but not provided in the condensed consolidated interim financial information in respect of:		
– Acquisition of property, plant and equipment	**524**	1,024

27. CONTINGENT LIABILITIES AND LITIGATION

At the reporting date, the Group had the undiscounted maximum amounts of potential future payments under financial guarantees amounting to RMB 50.00 million.

For the six months ended 30 June 2017, save for the gypsum board litigation in the United States (the "US") as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor were any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement of the Company dated 30 May 2010 in respect of an announcement released by BNBM, relating to the gypsum board incident in the US and the information on subsequent development of the gypsum board litigation in the US set out in the announcements dated 18 July 2014, 20 August 2014, 13 February 2015, and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third–quarterly report and the 2015 annual report, the 2016 interim report, the 2016 annual report and the announcement dated 22 June 2017 of the Company.

In June 2017, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM and/or Taishan Gypsum are parties, each of BNBM and Taishan Gypsum has reached settlement with the plaintiffs of one of the gypsum board cases, namely Lennar Homes, LLC and U.S. Home Corporation (the "Lennar"). According to terms of settlement, BNBM and Taishan Gypsum have agreed to pay Lennar US$500,000 and US$6,000,000, respectively. The litigations filed by Lennar against BNBM and Taishan Gypsum have been closed.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

28. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Provision of production supplies to		
– The Parent Group	**241,168**	240,090
– Associates	**76,260**	46,621
– Non-controlling interests of subsidiaries	**212,905**	858
	530,333	287,569
Provision of support services to the Parent Group	**361**	1,094
Rental income received from		
– The Parent Group	**1,409**	27,844
– Associates	**10,454**	10,759
	11,863	38,603

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

28. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Rendering of engineering services to the Parent Group	**316,433**	882
Supply of raw materials (limestone and clay) by the Parent Group	**56,569**	–
Provision of production supplies by		
– The Parent Group	**126,947**	132,488
– Associates	**43,365**	31,789
– Non-controlling interests of subsidiaries	**107,733**	–
	278,045	164,277
Interest expenses paid to non-controlling interests of subsidiaries	**1,764**	–
Provision of support services by the Parent Group	**14,403**	881
Provision of engineering services by the Parent Group	**26,075**	5,718
Supply of raw materials by associates	**98**	–
Interest income received from:		
– Associates	**4,840**	6,267
– Other related companies	**1,181**	–
	6,021	6,267
Supplying of equipment by the Parent Group	**13,982**	11,909

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

28. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (restated) (unaudited)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	**1,933,561**	2,457,488
– Associates	**676,943**	498,554
– Immediate holding company	**1**	34,896
– Non-controlling interests of subsidiaries	**520,530**	738,494
	3,131,035	3,729,432
Non-trading in nature:		
– Fellow subsidiaries	**2,114,979**	1,721,570
– Associates	**4,202,843**	5,824,242
– Immediate holding company	**1,078**	1,078
– Non-controlling interests of subsidiaries	**910,604**	652,730
	7,229,504	8,199,620
	10,360,539	11,929,052

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

28. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (restated) (unaudited)
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	**1,769,071**	846,010
– Associates	**248,998**	182,477
– Non-controlling interests of subsidiaries	**394,026**	93,451
	2,412,095	1,121,938
Non-trading in nature:		
– Fellow subsidiaries	**2,166,614**	124,794
– Associates	**78,412**	80,343
– Immediate holding company	**4,177,127**	4,231,967
– Non-controlling interests of subsidiaries	**541,767**	549,022
	6,963,920	4,986,126
	9,376,015	6,108,064

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

As at 30 June 2017, amounts due from related parties of approximately RMB4,449.67 million (31 December 2016: approximately RMB7,398.84 million) carry the variable interest rate of 4.35% (31 December 2016: 4.75%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2017, amounts due to related parties of approximately RMB6,363.22 million (31 December 2016: approximately RMB4,634.27 million) carry the fixed interest rate of 5.64% (31 December 2016: 5.31%) per annum. The remaining balances of amounts due to related parties are interest-free.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

28. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

During the six months ended 30 June 2017, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 30 June 2017 and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2017 are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
		(restated)
	(unaudited)	(unaudited)
Short term benefits	**2,918**	2,504
Post-employment benefits	**114**	94
	3,032	2,598

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

29. EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of equity interests in Mudanjiang North Cement Company Limited ("牡丹江北方水泥有限公司") ("MNC") and its subsidiaries

On 18 August 2017, North Cement Company Limited ("North Cement") (a 70% owned subsidiary of the Company) and MNC, entered into the equity transfer agreements, pursuant to which North Cement has agreed to purchase, and MNC has agreed to sell, the equity interests held by MNC in its 19 subsidiaries (the "Targets"). Upon completion of the acquisition, each Target will become a direct subsidiary of North Cement.

On 18 August 2017, North Cement and Jingang Group entered into the MNC equity transfer agreement, pursuant to which North Cement has agreed to purchase the equity interests held by Jingang Group in MNC. Upon completion of the acquisition, MNC will become a wholly owned subsidiary of North Cement.

For details of the acquisition of equity interests in MNC and its subsidiaries, please refer to the announcement of the Company dated 18 August 2017. As at the date of this report, the transaction is yet to be completed.

30. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information set out on pages 53 to 104 have been approved and authorised for issue by the Board of Directors on 25 August 2017.