CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2018

# Interim Report 中期報告

* For identification only

# Financial and Business Highlights

| | 30 June 2018 (unaudited) *(RMB in millions)* | 31 December 2017 (restated) (unaudited) *(RMB in millions)* | Growth rate |
|---|---|---|---|
| Bank balances and cash | **26,122** | 23,374 | 11.8% |
| Total assets | **463,847** | 454,158 | 2.1% |
| Equity attributable to equity holders of the Company | **67,487** | 64,274 | 5.0% |

| | For six months ended 30 June 2018 (unaudited) *(RMB in millions)* | 2017 (restated) (unaudited) *(RMB in millions)* | Growth rate |
|---|---|---|---|
| Revenue | **95,228** | 78,081 | 22.0% |
| Profit after tax | **6,747** | 3,086 | 118.6% |
| Profit attributable to equity holders of the Company | **3,812** | 1,467 | 159.8% |
| Net cash flows from operating activities | **15,807** | 8,462 | 86.8% |
| Sales volume of cement and clinker *(in thousand tonnes)* | **160,705** | 170,237 | -5.6% |
| Sales volume of commercial concrete *(in thousand $m^3$)* | **42,045** | 41,780 | 0.6% |
| Sales volume of gypsum boards *(in million $m^2$)* | **866** | 853 | 1.5% |
| Sales volume of glass fiber yarn *(in thousand tonnes)* | **1,153** | 978 | 17.9% |
| Sales volume of rotor blade *(MW)* | **2,025** | 2,556 | -20.8% |
| Revenue from engineering services *(RMB in millions)* | **15,409** | 13,268 | 16.1% |
| Average unit selling price of cement and clinker *(RMB per tonne)* | **310.9** | 242.0 | 28.5% |
| Average unit selling price of commercial concrete *(RMB per $m^3$)* | **422.9** | 307.8 | 37.4% |
| Average unit selling price of gypsum board *(RMB per $m^2$)* | **5.81** | 4.54 | 28.1% |
| Average unit selling price of glass fiber yarn *(RMB per tonne)* | **5,679** | 5,730 | -0.9% |
| Average unit selling price of rotor blade *(RMB per MW)* | **649,464** | 593,648 | 9.4% |

# 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 in printed form 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 Center, 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

Cao Jianglin *(Chairman)*
Peng Jianxin *(Vice Chairman)*
Peng Shou *(President)*
Cui Xingtai *(Vice President)*

### Non-executive Directors

Xu Weibing
Chang Zhangli
Tao Zheng
Chen Yongxin
Shen Yungang
Fan Xiaoyan

### Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Qian Fengsheng
Xia Xue

## STRATEGIC STEERING COMMITTEE:

Cao Jianglin *(Chairman)*
Peng Shou
Zhou Fangsheng

## NOMINATION COMMITTEE:

Sun Yanjun *(Chairman)*
Liu Jianwen
Cao Jianglin

## REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE:

Zhou Fangsheng *(Chairman)*
Sun Yanjun
Cao Jianglin

## AUDIT COMMITTEE:

Qian Fengsheng *(Chairman)*
Liu Jianwen
Xia Xue

## SUPERVISORS:

Li Xinhua *(Chairman of the Supervisory Committee)*
Zhou Guoping
Guo Yanming
Wu Weiku *(Independent Supervisor)*
Li Xuan *(Independent Supervisor)*
Cui Shuhong *(Staff Representative Supervisor)*
Wang Yingcai *(Staff Representative Supervisor)*
Zeng Xuan *(Staff Representative Supervisor)*

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|---|---|---|
| **Secretary of the Board** | : | Yu Kaijun |
| **Joint Company Secretaries** | : | Yu Kaijun<br>Lo Yee Har Susan (FCS, FCIS) |
| **Authorised Representatives** | : | Cao Jianglin<br>Yu Kaijun |
| **Alternate Authorised Representative** | : | Lo Yee Har Susan (FCS, FCIS)<br>(Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan) |
| **Qualified Accountant** | : | Pei Hongyan (FCCA) |
| **Registered Address** | : | Tower 2 (Building B), Guohai Plaza<br>No. 17 Fuxing Road<br>Haidian District, Beijing<br>The PRC |

# Corporate Information (Continued)

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| **Principal Place of Business** | : | 21st Floor<br>Tower 2 (Building B), Guohai Plaza<br>No. 17 Fuxing Road<br>Haidian District, Beijing<br>The PRC |
| **Postal Code** | : | 100036 |
| **Place of Representative Office in Hong Kong** | : | Level 54<br>Hopewell Center<br>183 Queen's Road East<br>Hong Kong |
| **Principal Bankers** | : | Agricultural Bank of China Limited<br>Bank of Communications Co., Ltd.<br>China Construction Bank Corporation |
| **PRC Legal Adviser** | : | Jia Yuan Law Offices<br>F408 Ocean Plaza,<br>158 Fuxing Men Nei Street<br>Xicheng District, Beijing<br>The PRC |
| **Hong Kong Legal Adviser** | : | Slaughter and May<br>47th Floor, Jardine House<br>1 Connaught Place<br>Central<br>Hong Kong |
| **International Auditor** | : | Baker Tilly Hong Kong Limited<br>2nd Floor<br>625 King's Road, North Point<br>Hong Kong |
| **Domestic Auditor** | : | Baker Tilly China Certified Public Accountants<br>Building 12, Foreign Cultural and Creative Garden<br>No. 19, Chegongzhuang West Road<br>Haidian District, Beijing<br>The PRC |

# Corporate Information (Continued)

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|---|---|---|
| **H Share Registrar in Hong Kong** | : | Tricor Investor Services Limited<br>Level 22<br>Hopewell Center<br>183 Queen's Road East<br>Hong Kong |
| **Stock Code** | : | 3323 |
| **Company Websites** | : | http://cnbm.wsfg.hk<br>www.cnbmltd.com |

# Definitions

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

| | |
|---|---|
| "Aksu Tianshan" | 阿克蘇天山多浪水泥有限責任公司 (Aksu Tianshan Duolang Cement Co., Ltd.) |
| "Anhui Jieyuan" | 安徽節源環保科技有限公司 (Anhui Jieyuan Environmental Protection Technology Co., Ltd.) |
| "Baishan Cement" | 金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited) |
| "Baker Tilly China" | 天職國際會計師事務所(特殊普通合夥) (Baker Tilly China Certified Public Accountants (Special General Partnership)) |
| "Baker Tilly HK" | 天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited) |
| "BBMG" | 北京金隅資產經營管理有限責任公司 (BBMG Assets Management Co., Ltd.) |
| "Beijing Composite" | 北京玻鋼院複合材料有限公司 (Beijing Composite Materials Co., Ltd.) |
| "Beijing Synthetic Crystals" | 北京中材人工晶體研究院有限公司 (Beijing Sinoma Synthetic Crystals Co., Ltd.) |
| "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) |

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|---|---|
| "BNBM Green Residence" | 北新綠色住宅有限公司<br>(Beijing New Building Material Green Residence Company Limited) |
| "BNBM PNG" | 中建投巴新公司<br>(BNBM PNG Limited) |
| "BNBM Taicang" | 太倉北新建材有限公司<br>(BNBM Taicang Company Limited) |
| "BNBMG" | 北新建材集團有限公司<br>(Beijing New Building Material (Group) Co., Ltd.) |
| "BNS" | 北新科技發展有限公司<br>(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有限公司<br>(China Building Materials Academy) |
| "CBMI Construction" | 中材建設有限公司<br>(CBMI Construction Co., Ltd.) |
| "CBRC" | 中國銀行業監督管理委員會<br>(China Banking Regulatory Commission*) |
| "CCDRI" | 成都建築材料工業設計研究院有限公司<br>(Chengdu Design & Research Institute of Building Materials Industry Co., Ltd.) |
| "Chengtong Financial" | 北京誠通金控投資有限公司<br>(Beijing Chengtong Financial Investment Co., Ltd.) |
| "China Composites" | 中國複合材料集團有限公司<br>(China Composites Group Corporation Limited) |
| "China Jushi" | 中國巨石股份有限公司<br>(China Jushi Co., Ltd.) |

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| "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) |
| "CNBM Trading" | 中建材集團進出口有限公司 (China National Building Material Import and Export Co.,Ltd.) |
| "CNBMI Logistics" | 中建投物流有限公司 (CNBMI Logistics Company Limited) |
| "CNBMI Tanzania" | 中建材投資坦桑尼亞有限公司 (CNBMI Tanzania Ltd.) |
| "CNBMIT" | 中建投商貿有限公司 (CNBMIT Co., Ltd.) |
| "Company" or "CNBM" | 中國建材股份有限公司 (China National Building Material Company Limited) |
| "Company Law" | the Company Law of the PRC |
| "controlling shareholder" | has the meaning ascribed thereto under the Listing Rules |
| "CTG" | 泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.) |
| "Dezhou China United" | 德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.) |

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| "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 |
| "Double Four Reductions" | Four Reductions 1.0: hierarchy flattening, removing expendable units, downsizing and cutting the number of company cars; Four Reductions 2.0: cutting back on receivables, destocking, removing expendable legal entities and deleveraging |
| "Eight Working Methods" | "Five C", KPI management, counselor system, benchmark management and optimisation, "PCP", core profit-generating regions, market competition and cooperation and zero inventory |
| "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) |
| "EPC" | turn-key project services that include design, procurement and construction |
| "Equipment Group" | 中材裝備集團有限公司 (Sinoma Technology & Equipment Group Co., Ltd.) |
| "Forchn International" | 富春國際有限公司 (Forchn International Co., Limited) |
| "Fukang Tianshan" | 新疆阜康天山水泥有限責任公司 (Xinjiang Fukang Tianshan Cement Co., Ltd.) |
| "GDP" | gross domestic product |
| "Group" | 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) |

# Definitions (Continued)

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| "Guizhou Southwest Cement" | 貴州西南水泥有限公司<br>(Guizhou Southwest Cement Company Limited) |
| "Guoxin Investment" | 國新投資有限公司<br>(Guoxin Investment Co., Ltd.) |
| "Hami Tianshan" | 哈密天山水泥有限責任公司<br>(Hami Tianshan Cement Co., Ltd.) |
| "HAZEMAG Germany" | HAZEMAG&EPR GmbH |
| "H Share(s)" | the overseas listed foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HKD |
| "Huaihai China United" | 淮海中聯水泥有限公司<br>(China United Cement Huaihai Co., Ltd.) |
| "Hubei BNBM" | 湖北北新建材有限公司<br>(Hubei BNBM Building Material Company Limited) |
| "Hunan South Cement" | 湖南南方水泥集團有限公司<br>(Hunan South Cement Group Company Limited) |
| "IFRS" | International Financial Reporting Standards |
| "increasing, saving and reducing" | increasing revenue, saving cost and reducing energy consumption |
| "Independent Third Party(ies)" | person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them |
| "Industrial Ceramics Institute" | 山東工業陶瓷研究設計院有限公司<br>(Shandong Industrial Ceramics Research & Design Institute Co., Ltd.) |

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| "Jetion Solar" | 中建材浚鑫科技股份有限公司 (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) |
| "Jiangsu Solar Energy" | 江蘇太陽能新材料有限公司 (Jiangsu Solar Energy Materials Co., Ltd.) |
| "Jiangsu Tianshan" | 江蘇天山水泥集團有限公司 (Jiangsu Tianshan Cement (Group) Co., Ltd.) |
| "Jiangxi Porcelain" | 中材江西電瓷電氣有限公司 (Sinoma Jiangxi Porcelain Electric Co., Ltd.) |
| "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) |
| "Kharachi Company" | 喀喇沁草原水泥有限責任公司 (Kharachi Grassland Cement Co., Ltd.) |
| "KPI" | key performance index |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time |
| "Liyang Tianshan" | 溧陽天山水泥有限公司 (Liyang Tianshan Cement Co., Ltd.) |
| "Lunan China United" | 魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.) |

# Definitions (Continued)

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|---|---|
| "Luopu Tianshan" | 洛浦天山水泥有限責任公司<br>(Luopu Tianshan Cement Co., Ltd.) |
| "Merger Agreement" | the merger agreement dated 8 September 2017 entered into between the Company and Sinoma, pursuant to the terms and conditions of which the Company and Sinoma implemented the Merger |
| "Merger of CNBM and Sinoma" or "Merger" | the merger by absorption of Sinoma by the Company in accordance with the Company Law and other applicable PRC laws as stipulated under the Merger Agreement |
| "Midong Tianshan" | 新疆米東天山水泥有限責任公司<br>(Xinjiang Midong Tianshan Cement Co., Ltd.) |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "Nanjing Mining" | 中國非金屬材料南京礦山工程有限公司<br>(Sinoma Nanjing Mining Engineering Co., Ltd.) |
| "Nanjing Triumph" | 南京凱盛國際工程有限公司<br>(Nanjing Triumph International Engineering Company Limited) |
| "Ningxia Building Materials" | 寧夏建材集團股份有限公司<br>(Ningxia Building Materials Group Co., Limited) |
| "Ningxia Saima" | 寧夏賽馬水泥有限公司<br>(Ningxia Saima Cement Co., Ltd.) |
| "Nitride Ceramics" | 中材高新氮化物陶瓷有限公司<br>(Sinoma Advanced Nitride Ceramics Co., Ltd.) |

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| "North Cement" | 北方水泥有限公司<br>(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)) |
| "Parent Group" | the Parent and its subsidiaries |
| "PCP" | Price – Cost – Profit |
| "PRC" | the People's Republic of China |
| "Qilianshan" | 甘肅祁連山水泥集團股份有限公司<br>(Gansu Qilianshan Cement Group Company Limited) |
| "Qilianshan Holdings" | 甘肅祁連山建材控股有限公司<br>(Gansu Qilianshan Building Materials Holdings Company Limited) |
| "Qingtongxia Cement" | 寧夏青銅峽水泥股份有限公司<br>(Ningxia Qingtongxia Cement Co., Ltd.) |
| "Qingzhou China United" | 青州中聯水泥有限公司<br>(Qingzhou China United Cement Company Limited) |
| "Qufu China United" | 曲阜中聯水泥有限公司<br>(Qufu China United Cement Company Limited) |
| "Reporting Period" | the period from 1 January 2018 to 30 June 2018 |
| "RMB" | Renminbi yuan, the lawful currency of the PRC |
| "Saima Kejin" | 寧夏賽馬科進混凝土有限公司<br>(Ningxia Saima Kejin Concrete Co., Ltd.) |
| "Sanshi South" | 浙江三獅南方新材料有限公司<br>(Sanshi South New Material Limited Company*) |

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| "SFO" | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| "Shandong Membrane Materials" | 中材科技膜材料(山東)有限公司<br>(Sinoma Science & Technology Membrane Materials (Shandong) Co., Ltd.) |
| "Shandong Sinoma Engineering" | 山東中材工程有限公司<br>(Shandong Sinoma Engineering Co., Ltd.) |
| "Shanghai South Cement" | 上海南方水泥有限公司<br>(Shanghai South Cement Company Limited) |
| "Shanshui Cement" | 中國山水水泥集團有限公司<br>(China Shanshui Cement Group Limited) |
| "Share(s)" | ordinary shares of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares, H Shares and Unlisted Foreign Shares |
| "Shareholder(s)" | holder(s) of Share(s) |
| "Shenzhen Triumph" | 深圳市凱盛科技工程有限公司<br>(CTIEC Shenzhen Scieno-tech Engineering Company Limited) |
| "Sichuan Southwest Cement" | 四川西南水泥有限公司<br>(Sichuan Southwest Cement Company Limited) |
| "Sinoma" | 中國中材股份有限公司 (China National Materials Company Limited), a joint stock company incorporated in the PRC with limited liability |
| "Sinoma (Gansu)" | 中材甘肅水泥有限責任公司<br>(Sinoma (Gansu) Cement Co., Ltd.) |
| "Sinoma (Tianshui)" | 天水中材水泥有限責任公司<br>(Sinoma (Tianshui) Cement Co., Ltd.) |
| "Sinoma Advanced" | 中材高新材料股份有限公司<br>(Sinoma Advanced Materials Co., Ltd.) |
| "Sinoma Anhui" | 中材安徽水泥有限公司<br>(Sinoma Anhui Cement Co., Ltd.) |

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| "Sinoma Blade" | 中材科技風電葉片股份有限公司 (Sinoma Wind Power Blade Co., Ltd.) |
| "Sinoma Cement" | 中材水泥有限責任公司 (Sinoma Cement Co., Ltd.) |
| "Sinoma Hanjiang" | 中材漢江水泥股份有限公司 (Sinoma Hanjiang Cement Co., Ltd.) |
| "Sinoma Hengda" | 中材亨達水泥有限公司 (Sinoma Hengda Cement Co., Ltd.) |
| "Sinoma International" | 中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.) |
| "Sinoma Investment" | 中國中材投資(香港)有限公司 (Sinoma Investment (Hong Kong) Co., Ltd.) |
| "Sinoma Jinjing" | 中材金晶玻纖有限公司 (Sinoma Jinjing Fiberglass Co., Ltd.) |
| "Sinoma Lithium Membrane" | 中材鋰膜有限公司 (Sinoma Lithium Membrane Co., Ltd.) |
| "Sinoma Luoding" | 中材羅定水泥有限公司 (Sinoma Luoding Cement Co., Ltd.) |
| "Sinoma Mining" | 中材礦山建設有限公司 (Sinoma Mining Construction Co., Ltd.) |
| "Sinoma Parent" | 中國中材集團有限公司 (China National Materials Group Corporation Ltd.), a state-owned enterprise, which, prior to 2 May 2018, directly and indirectly holds approximately 43.87% of Sinoma's issued share capital and is a wholly-owned subsidiary of the Parent |
| "Sinoma Parent Group" | Sinoma Parent and its subsidiaries |
| "Sinoma Pingxiang" | 中材萍鄉水泥有限公司 (Sinoma Pingxiang Cement Co., Ltd.) |

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|---|---|
| "Sinoma Science & Technology" | 中材科技股份有限公司<br>(Sinoma Science & Technology Co., Ltd.) |
| "Sinoma Share-Exchange Shareholder(s)" | Shareholders of Sinoma before the completion of the Merger who were registered on the then register of shareholders of Sinoma on the record date for share exchange including such shareholders who did not declare, or were ineligible to declare or invalidly declared to exercise the right to request for acquisition of their Shares or shares of Sinoma (as the case may be) |
| "Sinoma Suzhou" | 蘇州中材建設有限公司<br>(Sinoma (Suzhou) Construction Co., Ltd.) |
| "Sinoma Zhuzhou" | 中材株洲水泥有限責任公司<br>(Sinoma Zhuzhou Cement Co., Ltd.) |
| "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<br>(South Cement Company Limited) |
| "South New Materials" | 南方新材料科技有限公司<br>(South New Materials Technology Company Limited) |
| "Southwest Cement" | 西南水泥有限公司<br>(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 member(s) of the Supervisory Committee |
| "Taishan China United" | 泰山中聯水泥有限公司<br>(China United Cement Taishan Co., Ltd.) |

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| "Taishan Finance" | 泰安市泰山財金投資有限公司<br>(Taian Taishan Finance Investment Co., Ltd.) |
| "Taishan Gypsum" | 泰山石膏有限公司<br>(Taishan Gypsum Co., Ltd*) |
| "Taishan Investment" | 泰安市泰山投資有限公司<br>(Taian Taishan Investment Co., Ltd.) |
| "TCDRI" | 天津水泥工業設計研究院有限公司<br>(Tianjin Cement Industry Design & Research Institute Co., Ltd.) |
| "Tianjin Mining" | 天津礦山工程有限公司<br>(Sinoma Tianjin Mining Engineering Co., Ltd.) |
| "Tianshan Building Materials" | 新疆天山建材(集團)有限責任公司<br>(Xinjiang Tianshan Building Materials (Group) Co., Ltd.) |
| "Tianshan Cement" | 新疆天山水泥股份有限公司<br>(Xinjiang Tianshan Cement Co., Ltd.*) |
| "Tianshan Real Estate" | 新疆天山建材(集團)房地產開發有限公司<br>(Xinjiang Tianshan Building Materials (Group) Real Estate Development Company Limited*) |
| "Triumph Energy Saving" | 上海凱盛節能工程技術有限公司<br>(Shanghai Triumph Energy Conservation Engineering Co., Ltd) |
| "Two Funds" | the amount of account receivables and the inventory amount |
| "Two Sea Strategy" | maritime strategy and overseas strategy |
| "Unlisted Foreign Shares" | the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB |
| "Unlisted Shares" | the Domestic Shares and the Unlisted Foreign Shares |
| "Wangqing North Cement" | 汪清北方水泥有限責任公司<br>(Wangqing North Cement Limited Liability Company) |

# Definitions (Continued)

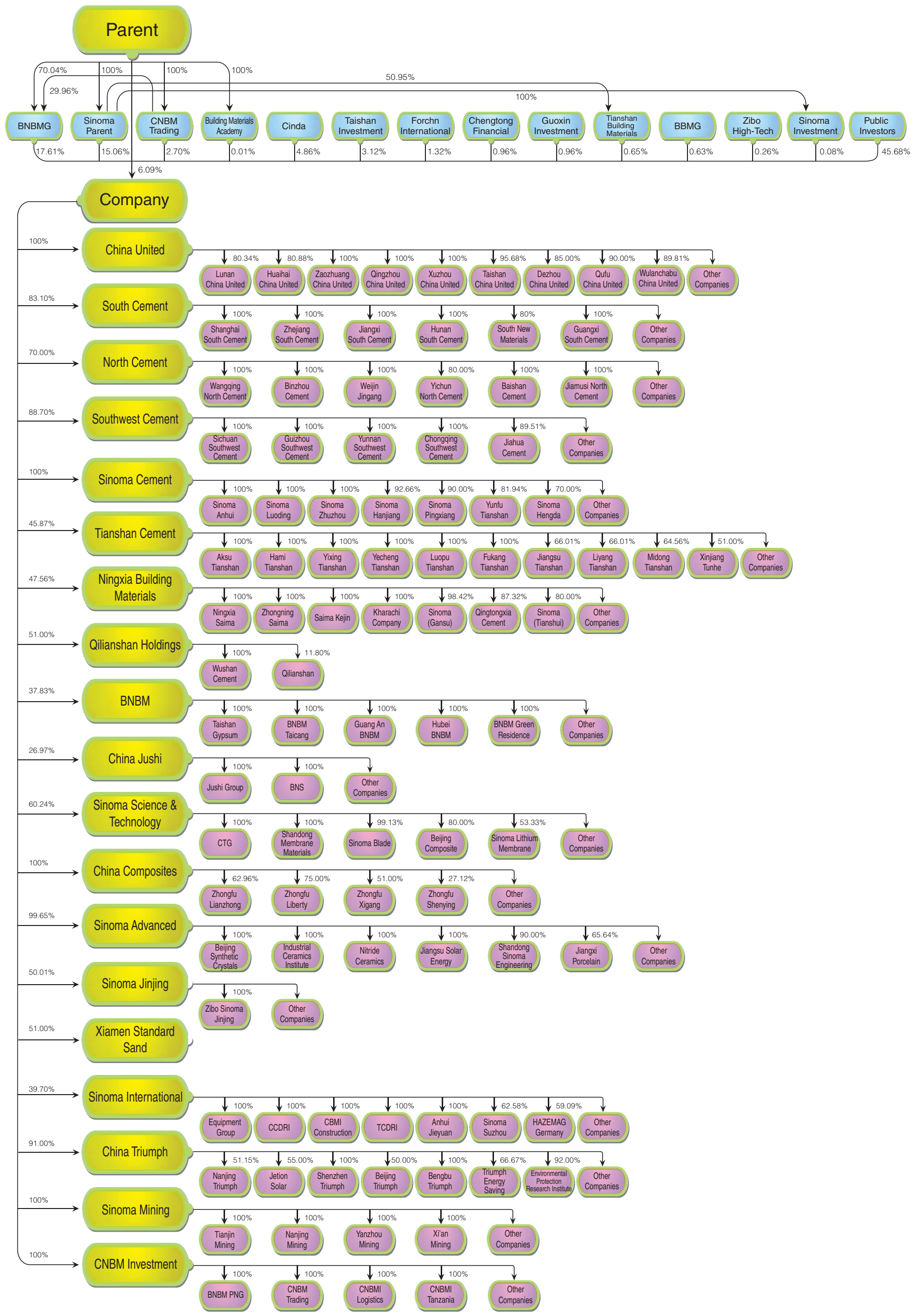
| | |
|---|---|
| "Weijin Jingang" | 遼源渭津金剛水泥有限公司<br>(Liaoyuan Weijin Jingang Cement Company Limited) |
| "Wulanchabu China United" | 烏蘭察布中聯水泥有限公司<br>(China United Cement Wulanchabu Co., Ltd.) |
| "Wushan Cement" | 祁連山武山水泥廠<br>(Qilianshan Wushan Cement Factory) |
| "Xi'an Mining" | 中國建築材料工業建設西安工程有限公司<br>(China Building Materials Industrial Construction Xi'an Engineering Co., Ltd.) |
| "Xiamen Standard Sand" | 廈門艾思歐標準砂有限公司<br>(Xiamen ISO Standard Sand Co., Ltd.) |
| "Xinjiang Tunhe" | 新疆屯河水泥有限責任公司<br>(Xinjiang Tunhe Cement Co., Ltd.) |
| "Xuzhou China United" | 徐州中聯水泥有限公司<br>(China United Cement Xuzhou Co., Ltd.) |
| "Yanzhou Mining" | 兗州中材建設有限公司<br>(Sinoma Construction Yanzhou Co., Ltd.) |
| "Yecheng Tianshan" | 葉城天山水泥有限責任公司<br>(Yecheng Tianshan Cement Co., Ltd.) |
| "Yichun North Cement" | 伊春北方水泥有限公司<br>(Yichun North Cement Company Limited) |
| "Yixing Tianshan" | 宜興天山水泥有限責任公司<br>(Yixing Tianshan Cement Co., Ltd.) |
| "Yunfu Tianshan" | 中材天山(雲浮)水泥有限公司<br>(Sinoma Yunfu Tianshan Cement Co., Ltd.) |
| "Yunnan Southwest Cement" | 雲南西南水泥有限公司<br>(Yunnan Southwest Cement Company Limited) |

| | |
|---|---|
| "Zaozhuang China United" | 棗莊中聯水泥有限公司<br>(China United Cement Zaozhuang Co., Ltd.) |
| "Zhejiang South Cement" | 浙江南方水泥有限公司<br>(Zhejiang South Cement Company Limited*) |
| "Zhongfu Lianzhong" | 連雲港中復連眾複合材料集團有限公司<br>(Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd) |
| "Zhongfu Liberty" | 常州中復麗寶第複合材料有限公司<br>(Changzhou China Composites Liberty Co., Ltd.) |
| "Zhongfu Shenying" | 中復神鷹碳纖維有限責任公司<br>(Zhongfu Shenying Carbon Fiber Co., Ltd) |
| "Zhongfu Xigang" | 威海中復西港船艇有限公司<br>(Weihai Zhongfu Xigang Ship Co., Ltd.) |
| "Zhonghai Trust" | 中海信託股份有限公司<br>(Zhonghai Trust Co., Ltd) |
| "Zhongning Saima" | 寧夏中寧賽馬水泥有限公司<br>(Ningxia Zhongning Saima Cement Co., Ltd.) |
| "Zibo High-Tech" | 淄博高新技術風險投資股份有限公司<br>(Zibo High-Tech Venture Investment Co., Ltd.) |
| "Zibo Sinoma Jinjing" | 淄博中材金晶玻纖有限公司<br>(Zibo Sinoma Jinjing Fiberglass Co., Ltd.) |

* *For identification purposes only*

# Shareholding Structure of the Group

The simplified structure of the Group as of 30 June 2018 is set out below:




*Note:*

1. The aforementioned percentages are rounded to 2 decimal places. Due to being rounded, the total percentage of shareholdings may be discrepant with the total amount.

2. In August 2015, the Parent increased its shareholding of H Shares of the Company by 8.536 million shares, accounting for 0.10% of the total share capital.

3. Prior to the Merger of CNBM and Sinoma, the Parent held 8.00 million H Shares of Sinoma through Sinoma Investment, a wholly-owned overseas subsidiary of Sinoma Parent. After completion of the Merger of CNBM and Sinoma, Sinoma Investment held 6.80 million H Shares of the Company, representing for 0.08% of the total share capital of the Company.

4. The Company indirectly held 11.80% equity interest of Qilianshan through Qilianshan Holdings and directly held 13.24% equity interest of Qilianshan.

5. On 30 June 2018, the Company and Hangzhou Bailian Investment Partnership Enterprise (Limited Partnership) (杭州白漣投資合夥企業(有限合夥)) entered into an equity transfer agreement to acquire 0.80% equity interests of South Cement held by Hangzhou Bailian. The Company's shareholding in South Cement increased from 82.3% to 83.1%. On 2 August 2018, South Cement completed the registration of industrial and commercial changes for the above equity transfer.

6. On 20 June 2018, the Company entered into an equity transfer agreement with Zhonghai Trust and Southwest Cement for the acquisition of 18.70% equity interest in Southwest Cement from Zhonghai Trust. The Company's shareholding in Southwest Cement increased from 70.00% to 88.70%. On 8 August 2018, Southwest Cement completed the registration of industrial and commercial changes for the above equity transfer.

7. Upon approval at the 2017 Annual General Meeting of Sinoma International on 16 April 2018, Sinoma International repurchased 16,610,945 performance-based shares from Xu Xidong, Zhang Ximing, Jiang Guirong, Xuan Hong, Zhang Ping, Anhui Haihe New Energy Investment Co., Ltd. and Wuhu Henghai Investment Center (Limited Partnership) and cancelled the same. Please refer to the relevant announcements published by Sinoma International on the website of Shanghai Stock Exchange on 16 April 2018 for details. Upon completion of the repurchase and cancellation, the aggregate share capital of Sinoma International changed to 1,737,646,983 shares. The proportion of equity interest held by the Company in Sinoma International increased from 39.7% to 40.08%. As of the date of this report, the registration for repurchase and cancellation is yet to be completed.

8. The details of the acquisition of equity interest in Taishan Gypsum through share issuance of BNBM was disclosed in the announcement of the Company dated 13 October 2015, the 2015 annual report and 2016 annual report. Pursuant to relevant agreements entered into between BNBM and certain former minority shareholders of Taishan Gypsum, the latter shall make up for the contingent risk of the target assets, and locked-up (for buy-back and cancellation) the 99,071,875 shares of CNBM share in aggregate acquired by such former minority shareholders in this transaction. As the Lenner case of the gypsum board litigation has reached settlement, and this fulfilled the buy-back conditions under the agreement, BNBM has completed the repurchase and cancellation of 99,071,875 BNBM shares at RMB1 per BNBM share on 20 June 2018 accordingly. The Company's shareholding in BNBM increased from 35.73% to 37.83% as a result.

# Financial Highlights

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | | (restated) |
| | **(Unaudited)** | (Unaudited) |
| | *(RMB in thousands)* | |
| Revenue | **95,227,944** | 78,080,930 |
| Gross profit | **28,512,815** | 19,126,724 |
| Profit after tax | **6,746,801** | 3,086,009 |
| Profit attributable to equity holders of the Company | **3,811,676** | 1,467,108 |
| Distribution made to the equity holders of the Company | **843,477** | 339,302 |
| Earnings per share-basic *(RMB)*(1) | **0.452** | 0.174 |

*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 8,434,770,662 shares for the six months ended 30 June 2017 and for the six months ended 30 June 2018.

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | | (restated) |
| | **(Unaudited)** | (Unaudited) |
| | *(RMB in thousands)* | |
| Total assets | **463,846,756** | 454,157,651 |
| Total liabilities | **334,805,315** | 329,392,320 |
| Net assets | **129,041,441** | 124,765,331 |
| Non-controlling interests | **42,114,050** | 43,775,456 |
| Equity attributable to equity holders of the Company | **67,487,284** | 64,273,605 |
| Net assets per share-weighted average *(RMB)*(1) | **8.00** | 7.62 |
| Debt to assets ratio(2) | **46.8%** | 46.1% |
| Net debt ratio(3) | **148.1%** | 149.0% |

*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 8,434,770,662 shares for 2017 and for the six months ended 30 June 2018.

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

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

The major operating data of each segment of the Group for the six months ended 30 June 2018 and 30 June 2017 are set out below:

## CEMENT SEGMENT

### China United

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **24,146** | 27,327 |
| Production volume – clinker *(in thousand tonnes)* | **21,276** | 24,530 |
| Sales volume – cement *(in thousand tonnes)* | **21,619** | 24,516 |
| Sales volume – clinker *(in thousand tonnes)* | **5,679** | 5,879 |
| Average unit selling price – cement *(RMB per tonne)* | **332.4** | 259.3 |
| Average unit selling price – clinker *(RMB per tonne)* | **278.8** | 242.8 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **15,123** | 17,251 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **433.3** | 300.2 |

### South Cement

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **42,624** | 42,727 |
| Production volume – clinker *(in thousand tonnes)* | **38,261** | 37,550 |
| Sales volume – cement *(in thousand tonnes)* | **42,005** | 39,565 |
| Sales volume – clinker *(in thousand tonnes)* | **9,188** | 12,063 |
| Average unit selling price – cement *(RMB per tonne)* | **326.5** | 228.7 |
| Average unit selling price – clinker *(RMB per tonne)* | **316.9** | 220.5 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **22,370** | 19,588 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **429.1** | 316.8 |

## CEMENT SEGMENT (CONTINUED)

### North Cement

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **4,347** | 5,226 |
| Production volume – clinker *(in thousand tonnes)* | **3,373** | 5,023 |
| Sales volume – cement *(in thousand tonnes)* | **4,345** | 5,323 |
| Sales volume – clinker *(in thousand tonnes)* | **225** | 1,303 |
| Average unit selling price – cement *(RMB per tonne)* | **358.2** | 301.5 |
| Average unit selling price – clinker *(RMB per tonne)* | **330.7** | 266.6 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **1,017** | 891 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **363.6** | 312.4 |

### Southwest Cement

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **42,583** | 40,981 |
| Production volume – clinker *(in thousand tonnes)* | **33,527** | 30,600 |
| Sales volume – cement *(in thousand tonnes)* | **42,087** | 40,681 |
| Sales volume – clinker *(in thousand tonnes)* | **1,630** | 1,264 |
| Average unit selling price – cement *(RMB per tonne)* | **289.3** | 243.0 |
| Average unit selling price – clinker *(RMB per tonne)* | **266.6** | 222.5 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **716** | 613 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **292.3** | 267.9 |

## CEMENT SEGMENT (CONTINUED)

### Sinoma Cement

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **9,964** | 10,219 |
| Production volume – clinker *(in thousand tonnes)* | **9,705** | 10,419 |
| Sales volume – cement *(in thousand tonnes)* | **9,955** | 10,293 |
| Sales volume – clinker *(in thousand tonnes)* | **2,083** | 2,471 |
| Average unit selling price – cement *(RMB per tonne)* | **322.6** | 235.3 |
| Average unit selling price – clinker *(RMB per tonne)* | **300.4** | 208.0 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **375** | 408 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **438.1** | 359.6 |

### Tianshan Cement

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **5,899** | 7,324 |
| Production volume – clinker *(in thousand tonnes)* | **6,229** | 7,835 |
| Sales volume – cement *(in thousand tonnes)* | **5,999** | 7,215 |
| Sales volume – clinker *(in thousand tonnes)* | **1,557** | 2,043 |
| Average unit selling price – cement *(RMB per tonne)* | **362.8** | 260.0 |
| Average unit selling price – clinker *(RMB per tonne)* | **251.8** | 203.8 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **749** | 909 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **440.4** | 287.0 |

## CEMENT SEGMENT (CONTINUED)

### Ningxia Building Materials

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **5,659** | 7,427 |
| Production volume – clinker *(in thousand tonnes)* | **4,472** | 5,553 |
| Sales volume – cement *(in thousand tonnes)* | **5,533** | 7,200 |
| Sales volume – clinker *(in thousand tonnes)* | **277** | 179 |
| Average unit selling price – cement *(RMB per tonne)* | **253.0** | 237.3 |
| Average unit selling price – clinker *(RMB per tonne)* | **250.2** | 216.2 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **495** | 700 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **324.0** | 296.4 |

### Qilianshan

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Production volume – cement *(in thousand tonnes)* | **7,372** | 9,166 |
| Production volume – clinker *(in thousand tonnes)* | **5,595** | 6,137 |
| Sales volume – cement *(in thousand tonnes)* | **7,577** | 9,270 |
| Sales volume – clinker *(in thousand tonnes)* | **53** | 15 |
| Average unit selling price – cement *(RMB per tonne)* | **285.5** | 257.3 |
| Average unit selling price – clinker *(RMB per tonne)* | **229.9** | 201.0 |
| Sales volume – commercial concrete *(in thousand $m^3$)* | **366** | 563 |
| Average unit selling price – commercial concrete *(RMB per $m^3$)* | **365.1** | 322.1 |

## NEW MATERIALS SEGMENT

### BNBM

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| **Gypsum boards – BNBM** | | |
| Production volume *(in million m²)* | **156.5** | 144.4 |
| Sales volume *(in million m²)* | **150.3** | 139.8 |
| Average unit selling price *(RMB per m²)* | **7.79** | 6.11 |
| **Gypsum boards – Taishan Gypsum** | | |
| Production volume *(in million m²)* | **717.9** | 728.3 |
| Sales volume *(in million m²)* | **715.4** | 713.1 |
| Average unit selling price *(RMB per m²)* | **5.40** | 4.23 |

### China Jushi

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| **Glass fiber** | | |
| Production volume (in thousand tonnes) | **711** | 691 |
| Sales volume (in thousand tonnes) | **749** | 634 |
| Average unit selling price (RMB per tonne) | **5,144** | 5,104 |

## NEW MATERIALS SEGMENT (CONTINUED)

### Sinoma Science & Technology

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| **Glass fiber** | | |
| Production volume *(in thousand tonnes)* | **411** | 350 |
| Sales volume *(in thousand tonnes)* | **403** | 340 |
| Average unit selling price *(RMB per tonne)* | **6,679** | 6,918 |
| **Rotor blade** | | |
| Production volume *(MW)* | **2,023** | 2,433 |
| Sales volume *(MW)* | **1,338** | 1,894 |
| Average unit selling price *(RMB per MW)* | **624,988** | 565,121 |

### China Composites

| | For six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| **Rotor blade** | | |
| Production volume *(MW)* | **888** | 868 |
| Sales volume *(MW)* | **687** | 662 |
| Average unit selling price *(RMB per MW)* | **697,120** | 675,301 |

The Group is mainly engaged in cement, new materials and engineering services businesses. As regards the current market positions (in terms of the production capacity as at 30 June 2018), 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 fiber producer in the world through China Jushi, an associate of the Company;
- an international engineering firm that provides design and EPC services of glass, cement production lines and solar power stations in 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 2018, China's economy maintained overall stability, with China's GDP growing at 6.8% year on year, setting off to a good start of high-quality development. Fixed-asset investment rose 6.0% year on year. There was a slowing down in growth but investment structure improved. In particular, the infrastructure investment grew 7.3% year on year, which continued to contribute to effective construction with large amount of total investment. Property development investment grew 9.7% year on year, presenting positive growth momentum, which supported the demand in the building material industry to remain at a high level. By further deepening the supply-side structural reform of the industry, the price of cement (major product) presented a trend of steady rise with significant increase in the industry-wide profit.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

In the first half of 2018, the Group proactively coped with the challenges and opportunities posed and brought by economic transformation in light of the abnormal complex and severe domestic and overseas environment. It resolutely implemented the guideline of "maintaining steady growth, promoting reforms, preventing risks and enhancing Party building", and strictly followed the management principles and operating measures of "profit and efficiency as first priority", "refinement, streamlining, action", "Price-Cost-Profit", "integration and optimisation", "digitisation" and "price stabilisation, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment", to focus on market, maintain stable prices, increase quantity, implement delicacy management, reduce cost and enhance efficiency. The Group kept track of the pressure control of Two Funds, and proactively promoted the Double Four Reductions. The Group strengthened financial management and integration, optimised debt structure, expanded financing channels, and continuously carried out liabilities reduction. The Group also fully pushed forward the adjustment and optimisation of the "three major businesses", promoted the "four modernisations" of the cement industry, and accelerated the development of the new materials business, and the innovation and transformation of the engineering services business; steadily advanced overseas investment, and global cooperation on production capacity, and continuously explored new businesses and new business models, with constant improvement of the quality and level of international operation. In addition, the Merger of CNBM and Sinoma was successfully completed, with the H shares of the Company after the Merger listed on the Stock Exchange on 3 May, and the new board of directors, supervisory committee and management team after adjustment were effective on 13 June, contributing to the acceleration of streamlining and optimisation, capital structure optimisation and other integration, further enhancing synergetic effect. In the first half of the year, compared with the same period of last year, the sales volume of cement and clinker of the Group decreased by 5.6% to 160.7 million tonnes, the sales volume of commercial concrete increased by 0.6% year on year to 42.0 million cubic metres, the sales volume of gypsum board increased by 1.5% year on year to 866 million square metres, the sales volume of glass fiber increased by 17.9% year on year to 1.15 million tonnes and the sales volume of rotor blades decreased by 20.8% year on year to 2,025MW. The revenue of the Group amounted to RMB95,228 million, representing a 22.0% increase year on year. Profit attributable to equity holders of the Company amounted to RMB3,812 million, representing a 159.8% increase year on year.

### Cement Segment

#### *Review of the cement industry in the PRC in the first half of 2018*

In the first half of 2018, underpinned by steady growth of economy, the demand of cement maintained stable at a high level. The production volume of cement in the PRC amounted to 997 million tonnes, representing a 0.6% decrease year on year. Intensified efforts were made in environment protection to promote supply-side structural reform and continuously deepen environmental and limited production, peak shifting production, industrial self-discipline and many other measures on production limitation. The relationship between supply and demand in the market was continuously improved and a lower level of inventory was maintained, with the industry-wide profitability hitting a new record high.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Cement Segment (Continued)

#### *Review of the cement industry in the PRC in the first half of 2018 (Continued)*

On 18 May 2018, Chairman Xi attended the National Ecological Environmental Protection Conference, at which he gave top-level instruction on the construction of ecological civilisation, bringing about the official initiation of the environmental protection supervision and inspection project on 30 May. On 24 June, the State Council issued the Opinions on Fully Strengthening Ecological Environmental Protection to Win the Combat of Pollution Prevention and Control (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》) to increase the efforts to reduce production capacity of construction materials, set up special emission limits for atmospheric pollutants, emphasize on the heat supply season of key regions, implement peak shifting production in key industries such as construction materials industry, and establish a strict accountability mechanism for the aforesaid actions. Advancement has been made for reduction in production capacity of the cement industry based upon the tightened environmental protection policies to promote the in-depth structural adjustment, transformation and upgrading. (Sources: MEP and Digital Cement).

#### *Review of the cement segment business of the Group in the first half of 2018*

For the cement segment, the Group proactively rose up to the challenges posed by flat period in demand, increased pressure on environmental protection and rising costs of fuel and raw materials. With the purpose of further implementing the ideology of "PCP", the Group insisted on placing equal emphasis on the reduction in production capacity and output, and resolutely practised peak shifting production, elimination of outdated production facilities and industrial self-discipline to promote orderly competition and the recovery of industry value. The Group also further optimized marketing strategies to win over major customers, large-scale projects, big markets and key construction, and seize opportunities in core markets; continued to promote refined management and lean production by keeping a close eye on the execution of the cost and expense conservation plan, deepen the implementation of benchmark management and optimized management, and promote quality and efficiency; exerted great efforts on streamlining of organisations by constantly promoting regional integration and optimisation of organisational structure; speeded up synergy and collaboration within and between segments; and promoted marketing resources sharing and the implementation of the regular meeting and negotiation mechanism within the Company.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Cement Segment (Continued)

#### *China United*

With a view to promoting high-quality development, China United exerted great efforts on business operation to improve efficiency and ensure steady prices. Carried out the effective peak shifting production in winter and practised the peak shifting production policy in summer to effectively improve the supply and demand relationship. Accelerated the construction of regional platforms and optimized the orderly market operations. Strengthened cooperation with major project development, and large-scale and high quality enterprises to stabilize the market shares of key projects.

China United strengthened the optimisation of benchmark management, and implemented cost reduction and efficiency improvement. China United actively achieved synergy with Sinoma Mining, utilized the edges from both parties so as to lift the standard of mine management.

Establishing the new energy plant, China United achieved cross-industry cooperation between cement factories and the photovoltaic power industry. China United also strived to seize the opportunities arising from the aggregate business by integrating enterprises that are engaged in aggregate business and establishing the "large department system" for cement, commercial concrete and aggregate businesses. Steadily promote the construction of the production lines for the synergetic treatment of production waste, municipal sludge and hazardous waste by cement kiln.

#### *South Cement*

South Cement actively implemented regional supply-side structural reform, practised the introduction of the plans for output reduction and the peak shifting production as required by policies, strengthened the connection and interchange of clinker resources, enhanced cross-regional and cross-market management to effectively manage and control the clinker resources, and maintain the market stability. South Cement also strengthened the major project market and the construction of fundamental markets to increase the sales and shares in the large-scale terminal markets and core markets. Implemented the "central station + direct management model", innovation incentive and appraisal system and accelerated the equity and management integration of Sanshi South New Material, with the purpose of comprehensive improvement of the quality of commercial concrete operation.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Cement Segment (Continued)

#### *South Cement (Continued)*

South Cement also comprehensively promoted lean production and implemented cost and expense saving plan, which led to the steady improvement of the quality of production and operation. It also solidly promoted work reduction and improved operational efficiency and quality.

South Cement established and improved a mine management system, formulated and implemented the plans for mine optimisation and upgrading and the construction of green mines, and exerted great efforts on developing the aggregate business; and steadily promoted the construction of urban waste and industrial waste synergetic treatment projects.

#### *North Cement*

In light of the severe operating situation with prominent supply and demand contradiction, North Cement implemented the normalisation of measures such as the peak shifting production in winter and self-discipline in limiting production to effectively alleviate the pressure of over-production and high inventory level of clinker; and conducted bidding for key projects.

North Cement also explored measures to resolve overcapacity, maintained orderly operation in the industry and fully promoted the centralised procurement and delivery of materials through bidding to effectively reduce procurement costs.

By leveraging the advantages of the industrial chain, the mortar market was expanded, increasing the sales of dry-mix mortar products.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Cement Segment (Continued)

#### *Southwest Cement*

Upholding the operating ideology of "PCP", Southwest Cement proactively practised peak shifting production and production limitation by closing down kilns, and carried out exchange of clinker. By optimising and integrating marketing channels, Southwest Cement steadily increased the sales ratio of direct sales and high-grade products and seized opportunities arising in core markets. As it improved the control of "major clients, substantial orders, macro markets and key projects", the quality of key projects was enhanced. Southwest Cement firmly carried out the central spirit of handling precise poverty alleviation.

Through full implementation of the "3+1" organizational restructuring of marketing department, finance department, general department and production department, 41 enterprises accomplished optimisation of the "3+1" organizational structure. Through thorough promotion of regional resources integration, Southwest Cement established management committees in Sichuan Demian District and Guizhou Tongren District as experimental units to enhance management and maximise benefits. It strengthened production control and basic management, optimised coal procurement channels, and increased direct purchase.

Southwest Cement explored new asset-light operation modes, such as joint establishment of sites, OEM and technology cooperation, by exploiting technical advantages of special cement and brand effect; it started structural adjustment, transformation and upgrading, accelerated the set-up of a model intelligent production line and promoted aggregate business and co-processing project of garbage and solid waste in cement kilns.

#### *Sinoma Cement*

Adhering to the operating ideology of "PCP", Sinoma Cement proactively promoted regional resources sharing, stabilised market prices, enhanced competitiveness through the integration of the internal resources of the Company and realised high-quality operation while facilitating the healthy development of the industry.

Sinoma Cement made intensive efforts in delicacy management, continuously optimized the three-tier management and control system of materials procurement, further enhanced centralised delicacy management of materials procurement. Meanwhile, it intensified reduction and "downsizing" efforts to practically streamline organizational structure.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Cement Segment (Continued)

#### *Sinoma Cement (Continued)*

Thoroughly implementing innovation transformation and international strategic deployment, the clinker production line, with daily production capacity of 2,500 tonnes, in CNBM Zambia Industry Park was put into production in advance. The co-treatment of household waste in cement kilns project worked well. The company promoted coordination and integration of resources in upstream and downstream industry chains, such as aggregate business, commercial concrete and prefabricated parts, to strengthen its capability in sustainable development.

#### *Tianshan Cement*

Overcoming adverse impact of large fluctuation in the regional market and insisting on the guidance of profit, Tianshan Cement carried out the operation ideology of “PCP”. It actively participated in the peak shifting production, and cooperated with the government to carry out orderly production ”.

Tianshan Cement accelerated the promotion of the “internet + cement” sales mode, and attached great importance to 6S management to implement benchmark and delicacy management.

It practiced environmental management and green development concepts, carrying out the cement kiln coordinated disposal projects and implementing new development patterns such as “Green Mine” and “Garden Factory”.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Cement Segment (Continued)

#### *Ningxia Building Materials*

Encountering adverse conditions due to the decrease in demand in regional markets, Ningxia Building Material firmly executed peak shifting production to improve the relationship between supply and demand. Closely centering on the operation ideology of “PCP”, Ningxia Building Materials continued to develop integration of market resources and steady sales volume. While staying tuned with the core market and major construction market, Ningxia Building Material will explore markets for residential usage and ceaselessly solidify its regional market shares.

By optimising the concentrated procurement mechanism, developing and promoting the use of logistics transportation platform, putting utmost efforts in enhancing the intelligent manufacturing standards, reducing interest-bearing liabilities, conducting monthly benchmark analysis and other measures, Ningxia Building Material endeavored to improve delicacy management of the enterprise and raise labour productivity, coupled with management on cost and expenses to achieve cost reduction and efficiency enhancement.

It also extended industry chain, and proactively promoted aggregate business development.

#### *Qilianshan*

Qilianshan strengthened the operating ideology of “PCP” to thoroughly carry out multi-dimensional as well as delicate competition and cooperation; adhering to the operating concept of “Four in One” and taking overall consideration of price, sales, market and benefit, Qilianshan maintained market share while it steadied and increased price; and took the lead to practise peak shifting production in winter within the region and actively guided peak shifting production in summer to effectively improve supply and demand.

As a result of further developing delicacy management, keeping an eye on the cost and expense saving plan, and strengthening the all staff, all-round and full process cost and expense control, the cost reduction and control achieved notable success.

Promoting the “internet + intensification” procurement system, Qilianshan achieved the professional management and closed-loop operation of material, logistics and engineering services procurement as well as wastes auction business supported by e-commerce platform. It continually deepened mechanism reform of the enterprise and enhanced performance appraisal scheme to improve the internal vitality of the enterprise.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### New Materials Segment

#### *BNBM*

Thoroughly implementing the business ideology of "PCP", BNBM focused on profit, deepened brand advantage and achieved price rise, cost reduction, and profit increase. Through continuous intensification of "pressure reduction" work, management quality and profit improvement were constantly enhanced, the debt asset structure was enhanced, and leverage and liabilities were reduced. Centralised management of funds was implemented to enhance the efficiency in capital utilization. It continued to strengthen "technological innovation + brand construction" to further improve the core competitiveness.

BNBM actively participated in the construction of "Belt and Road", and propelled internationalisation that the Tanzanian Company Limited (坦桑尼亞有限公司) was registered and the operation was on track. BNBM reconstructed Wanjia Building Materials (萬佳建材) to consolidate its leadership in the global gypsum board industry.

#### *China Jushi*

By taking essential protection as the foundation, focusing on the market demand and regarding efficiency enhancement as the center, China Jushi actively adjusted structure so that the proportion of high-end products and customers and market competitiveness kept enhancing, and sales volume achieved new high. It deeply advanced precise management and lean production which contributed to the remarkable effect of increasing, saving and reducing plan as well as energy conservation and emission reduction. It strengthened technological innovation that the new E7 and E8 glass fiber formula and the optimisation of electronic yarn technology provided persistent support and guide to the quality and efficiency enhancement and cost reduction, while E9 glass fiber formula has entered the research and experimental stage. It accelerated the construction of intelligent production plant for new materials and continuously enhanced development potentials.

The international layout has achieved remarkable results. China Jushi 200,000-tonnes Egypt production plant was completed. The project in the United States is expected to be completed in early 2019, and the project in India is expected to commence before the end of 2018. It will continue to advance the layout of the five continents. While the products were going global, China Jushi accelerated the pace of going global for factories and actively carried out research on the construction of other overseas projects.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### New Materials Segment (Continued)

#### *Sinoma Science & Technology*

Sinoma Blade focused intensely on the needs of the clients, continuously optimized the layout of domestic production capacity, and vigorously developed new products adapting to the development trend such as low wind speed and offshore production in order to keep the leading advantages in the low speed wind power and offshore wind power markets. It proactively promoted international layout, established overseas research and development centers for fan blades, and enhanced global competitiveness of the Company. Sinoma Blade introduced delicacy management and control, and strengthened the improvement of productivity; further enhanced synergies, while reducing costs and increasing efficiency through methods such as technological innovation, optimisation of craftsmanship and material substitution.

CTG accurately grasped the development trend of composite materials, optimized production and sales structure, and refined its production and sales synergies. CTG deepened structural adjustments of products, leading to the continuous increase in the proportion of high-end products. It adhered to the promotion of the leading new capacity construction in the industry, reduced costs and increased efficiency, and strengthened production efficiency and optimisation of benchmark management, resulting in continuous decline in comprehensive costs. Centering on the “Belt and Road” strategy, it has sped up the pace of internationalisation, and has proactively promoted the construction of overseas plants. Adhering to research, development and innovation, and strengthening and improving technical reserves resulted in steady rise in the production and sales of high-tech, flat, ultra-fine, alkali-resistant glass fiber and other high-tech products.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### New Materials Segment (Continued)

#### *China Composites*

China Composites overcame the adverse environment of continuous downturn in the wind power market, actively adjusted production and market strategies, realised cost-reduction and efficiency enhancement and improvement in management. The rotor blades business proactively devised the “Two Sea Strategy” to seize overseas market share and high ground. The gross profit margin of the products has always maintained a relatively high level in the industry and the production and sales volume of carbon fiber have achieved the historical highest level.

Its international business adhered to the exploration and expansion of the large “Belt and Road” market, while self-operated products and international trade business sector improved hand in hand. China Composites continuously promoted technological innovation and product research collaboration, and 12 new models of rotor blades were developed and designed in the first half of the year; T1000 grade carbon fiber has achieved an important breakthrough from trial to a hundred ton scale of production, taking a strategic and critical step towards the field of carbon field in the world.

#### *Sinoma Advanced*

Sinoma Advanced implemented “price stabilisation, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment” as its major directional policy, kept a close eye on the market, reduced cost and increased efficiency, and continuously improved the capability of technological innovation. Sinoma Advanced has gained certain progress with vigorous expansion in the international market for its electroceramics and ceramic membranes; aluminium oxide ceramic has continuously promoted the use of ceramics as a grinding medium in the cement industry.

“Key technology patents for military and civilian high temperature ceramic base with wave-transparent materials” are recognised as the second batch of key and core technology intellectual property in Shandong Province; with a breakthrough in key craftsmanship of large-size glass ceramic, the quality of products has been significantly augmented; tantalum-cerium ceramic substrate with high thermal conductivity solved the key technical problems of shaping and sintering, and has been providing samples for downstream users in small batches.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Engineering Services Segment

#### *Sinoma International*

Sinoma International centered closely on the twelve-words work direction of "maintaining steady growth, adjusting economic structure, promoting reforms and enhancing Party building", proactively implemented the "five excellent" strategy, namely "excellent skills, excellent quality, excellent service, excellent price, excellent profit", fully leveraged the advantages of internationalised operation, deepened and consolidated the advantages of principal business, and steadily proceeded with business transformation.

Continuously strengthening the whole process of EPC delicacy administration, Sinoma International enhanced measures related to internal synergies and resource allocation of each process. The global market share of cement equipment and engineering principal business remained as the top in the world. All six lines of Egypt's GOE were completed as scheduled, and passed a one-off performance examination.

Strengthening localized operations and market cultivation, Sinoma International successfully entered into engineering contracts in various fields such as lipid production line from Algeria, ceramic production line from Iraq and a steel structure factory from UAE; kept track of customers' demand, continuously improved the informationisation and intelligence standard of production operation services in reliance on the BIM technological innovation service model; further consolidated the advantages of traditional EMC energy-saving services, pushed ahead with environmental protection projects in full effort, actively developed and explored businesses for synergetic disposal of cement kilns, exerted synergetic effect with building materials enterprises within the Group, invested in the lead acid battery separator project in Vietnam with EPC+ equity participation model, and achieved new outcomes with overseas industry investment and business expansion.

## INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Engineering Services Segment (Continued)

#### *China Triumph*

China Triumph captured the strategic opportunities arising from national industry upgrading as well as the "Belt and Road", expanded the overseas strategic layout of photovoltaic, intelligent agriculture, thin-film solar energy, new housing business, proactively promoted cooperation of international production capacity; for innovative engineering and business models, China Triumph explored: "operation + technology shareholding" new model, accelerated the overseas layout of cement, glass, new energy and other businesses; for innovated engineering development model, taking glass engineering as the core business, while China Triumph transforming new energy engineering, green housing engineering, becoming the largest Chinese-funded photovoltaic EPC leader in Europe. China Triumph built the largest ground power station in California of the United States and kept breaking the world record for the conversion efficiency of thin-film solar cells.

China Triumph made advancements to high-end markets and cultivated new businesses, produced world's thinnest 0.12mm ultra-thin float glass, increased the global influence, and developed a whole industry chain from research and development, design, equipment manufacturing to engineering services.

#### *Sinoma Mining*

Sinoma Mining has strengthened mining business connection with internal cement companies of the Group, and proactively expanded the traditional main business. Sinoma Mining promoted benchmark management, centralised procurement and project image enhancement work, strengthened our foundations, and maintained a favourable situation of stable and healthy development. Sinoma Mining proactively tracked the aggregate project, and explored the development opportunities for related resource-based industries.

## OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of the year, the PRC Government will continue to insist on the general principle of seeking progress while maintaining stability. High quality development, supply-side structural reform and "Three Tough Battles" are going to bring excellent opportunities for the enterprise. From the perspective of the industry, the production mechanism of peak shifting production has been gradually established, the industry awareness has been further strengthened, and efforts on environmental protection has been constantly increased. Moreover, the traditional peak season for sales in the second half of the year will be longer than that in the first half of the year. It is expected that the cement market will maintain upward trend amid stable performance in the second half of the year. From the perspective of enterprises, the synergy for the Merger of CNBM and Sinoma further increased the scale advantages and market capacity, and the synergetic effect will be further revealed. However, the contradiction of overcapacity in the industry has not been changed fundamentally. The pressure on resources, energy and environmental protection costs has increased. The supply-side structural reform task is arduous and the new development business is ever-changing, which bring about both opportunities and challenges.

The Group will continue to adhere to stability in development, quality in development and innovation in reform, strictly follow the management principles and operating measures such as "profit and efficiency as first priority, fine, delicate and streamlined, PCP, integration and optimisation and digitalisation", "price stabilisation, quantity guarantee, cost reduction, receivables collection, inventory control and adjustment", and fully promote reorganisation and integration. The Group will exert great efforts in business management, perform well with special tasks, and promote innovation and development.

From the perspective of reorganisation and integration, the Group will develop in-depth business integration, strive to complete the business sector restructure and integration as soon as practicable, strengthen internal coordination, and advance collectively towards high-end service for production and management. The Group will also optimize operating management, formulate a unified operation direction, enhance the competitive advantages of the main business, unleash the synergetic effect from reorganisation and cumulative advantages, and create benefits from 1+1>2.

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

From the perspective of operating management, the Group will focus on the main business, strengthen the main business, improve the quality of the main business development, strengthen the construction of profit platform, enhance the core competitiveness and profitability, adhere to the “PCP” business philosophy, implement industry self-discipline, promote market competition, stabilize the price, and expand on quantity. The Group will also proactively implement “Eight Working Methods”, “increasing, saving and reducing”, create “Six-star Enterprise”, reduce costs, and perform well with tasks such as receivables collection and inventory control.

For the special tasks, the Group will engage extensively with reduction projects, continuously adjust and optimize the organizational structure, carry out the control of Two Funds, comprehensively improve the debts collection and inventory control, strictly control capital expenditures, strictly control debt risks, optimize financing structure and financing model, strengthen capital management, and continuously reduce leverage and liabilities.

For innovation and development, the Group will promote the transformation and upgrading of the three major businesses of cement, new materials and engineering services, continue to enhance the competitiveness of the three major businesses with transformation centering on high-end, intelligent, green and globalisation, strengthen the construction of “double-creativity” platform, build a first-class R&D laboratory to enhance the quality and efficiency of scientific and technological achievements, proactively participate in the construction of the “Belt and Road”, integrate overseas resources, accelerate the global layout, and proactively seek the establishment of marketised incentive mechanism to enhance corporate cohesion and vitality.

## FINANCIAL REVIEW

The unaudited revenue of the Group increased by 22.0% from RMB78,080.9 million for the six months ended 30 June 2017 to RMB95,227.9 million for the six months ended 30 June 2018. Unaudited profit attributable to equity holders increased by 159.8% from RMB1,467.1 million for the six months ended 30 June 2017 to RMB3,811.7 million for the six months ended 30 June 2018.

## REVENUE

Our revenue for the six months ended 30 June 2018 amounted to RMB95,227.9 million, representing an increase of 22.0% from RMB78,080.9 million for the six months ended 30 June 2017. This was primarily due to an increase of RMB14,196.9 million in the revenue of the cement segment, an increase of RMB1,720.9 million in the revenue of the engineering services segment, and an increase of RMB1,054.2 million in the revenue of the new materials segment.

## COST OF SALES

Our cost of sales for the six months ended 30 June 2018 amounted to RMB66,715.1 million, representing an increase of 13.2% from RMB58,954.2 million for the six months ended 30 June 2017. This was primarily due to an increase of RMB6,009.4 million in the cost of sales of the cement segment, an increase of RMB1,111.6 million in the cost of sales of the engineering services segment, and an increase of RMB364.9 million in the revenue of the new materials segment.

## OTHER INCOME

Other income of the Group decreased by 98.7% to RMB20.1 million for the six months ended 30 June 2018 from RMB1,519.8 million for the six months ended 30 June 2017. This was primarily due to the decrease in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss from RMB49.5 million for the six months ended 30 June 2017 to RMB-1,210.2 million for the six months ended 30 June 2018, and a decrease in government grants from RMB456.2 million for the for the six months ended 30 June 2017 to RMB253.7 million for the six months ended 30 June 2018, partially offset by an increase in VAT refunds from RMB385.0 million for the six months ended 30 June 2017 to RMB557.9 million for the six months ended 30 June 2018.

## SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by 14.8% to RMB5,260.0 million for the six months ended 30 June 2018 from RMB4,581.1 million for the six months ended 30 June 2017. This was primarily due to increases of RMB456.6 million in transportation costs and RMB51.8 million in labour costs.

## FINANCIAL REVIEW (CONTINUED)

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by 38.1% to RMB9,489.2 million for the six months ended 30 June 2018 from RMB6,870.8 million for the six months ended 30 June 2017. This was primarily due to increases of RMB1,197.7 million in allowance for impairment of receivables, RMB583.4 million in provision for impairment on fixed assets, RMB197.1 million in exchange losses, RMB185.0 million in R&D fee, RMB116.6 million in labour costs and RMB79.6 million in the amortisation of intangible assets.

### FINANCE COSTS

Finance costs increased by 3.2% to RMB5,455.7 million for the six months ended 30 June 2018 from RMB5,288.0 million for the six months ended 30 June 2017, mainly due to the increase in borrowing costs.

### SHARE OF PROFIT OF ASSOCIATES

The Group's share of profit of associates increased by 101.7% to RMB886.1 million for the six months ended 30 June 2018 from RMB439.3 million for the six months ended 30 June 2017, 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 95.7% to RMB2,467.8 million for the six months ended 30 June 2018 from RMB1,260.9 million for the six months ended 30 June 2017, primarily due to the increase in profit before taxation.

### NON-CONTROLLING INTERESTS

Non-controlling interests increased by 88.8% to RMB2,487.8 million for the six months ended 30 June 2018 from RMB1,317.7 million for the six months ended 30 June 2017. This was primarily due to the increase in operating profit in all segments of the Group, namely the cement segment, the new materials segment and the engineering services segment.

### PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by 159.8% to RMB3,811.7 million for the six months ended 30 June 2018 from RMB1,467.1 million for the six months ended 30 June 2017. Net profit margin increased to 4.0% for the six months ended 30 June 2018 from 1.9% for the six months ended 30 June 2017.

## FINANCIAL REVIEW (CONTINUED)

### CEMENT SEGMENT

#### *CHINA UNITED*

*Revenue*

Revenue of China United increased by 18.7% to RMB15,675.1 million for the six months ended 30 June 2018 from RMB13,207.6 million for the six months ended 30 June 2017, mainly attributable to the increase in the average selling price of cement products and commercial concrete, partially offset by the decrease in sales volume of cement products and commercial concrete.

*Cost of sales*

Cost of sales of China United increased by 10.5% to RMB10,639.2 million for the six months ended 30 June 2018 from RMB9,631.0 million for the six months ended 30 June 2017, mainly attributable to the increase in the coal prices, partially offset by the decrease in sales volume of cement products and commercial concrete.

*Gross profit and gross profit margin*

Gross profit of China United increased by 40.8% to RMB5,035.9 million for the six months ended 30 June 2018 from RMB3,576.6 million for the six months ended 30 June 2017. Gross profit margin of China United increased from 27.1% for the six months ended 30 June 2017 to 32.1% for the six months ended 30 June 2018. 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 16.0% to RMB1,955.6 million for the six months ended 30 June 2018 from RMB1,685.5 million for the six months ended 30 June 2017. Operating profit margin of China United decreased from 12.8% for the six months ended 30 June 2017 to 12.5% for the six months ended 30 June 2018. The decrease in operating profit margin was primarily due to the increase in allowance for impairment of receivables, the decrease in the net gain from the changes in fair value of financial assets recognised at fair value through profit or loss and the increase in exchange losses, partially offset by the increase in gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### CEMENT SEGMENT (CONTINUED)

#### *SOUTH CEMENT*

*Revenue*

Revenue of South Cement increased by 46.4% to RMB26,224.1 million for the six months ended 30 June 2018 from RMB17,914.3 million for the six months ended 30 June 2017, 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 28.9% to RMB17,924.6 million for the six months ended 30 June 2018 from RMB13,910.4 million for the six months ended 30 June 2017, 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 107.3% to RMB8,299.4 million for the six months ended 30 June 2018 from RMB4,003.8 million for the six months ended 30 June 2017. Gross profit margin of South Cement increased from 22.3% for the six months ended 30 June 2017 to 31.6% for the six months ended 30 June 2018. This was 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 South Cement increased by 117.8% to RMB4,174.4 million for the six months ended 30 June 2018 from RMB1,917.1 million for the six months ended 30 June 2017. Operating profit margin for the South Cement increased from 10.7% for the six months ended 30 June 2017 to 15.9% for the six months ended 30 June 2018. This was primarily due to the increase in gross profit margin, partially offset by increase in allowance for impairment of receivables and provision for impairment of fixed assets.

## FINANCIAL REVIEW (CONTINUED)

## CEMENT SEGMENT (CONTINUED)

### *NORTH CEMENT*

*Revenue*

Revenue of North Cement decreased by 10.3% to RMB2,000.4 million for the six months ended 30 June 2018 from RMB2,231.0 million for the six months ended 30 June 2017, 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 and the increase in sales volume of commercial concrete.

*Cost of sales*

Cost of sales of North Cement decreased by 12.6% to RMB1,279.1 million for the six months ended 30 June 2018 from RMB1,462.7 million for the six months ended 30 June 2017, mainly attributable to the decrease in the sales volume of cement products, partially offset by increase in the coal prices and the increase in sales volume of commercial concrete.

*Gross profit and gross profit margin*

Gross profit of North Cement decreased by 6.1% to RMB721.3 million for the six months ended 30 June 2018 from RMB768.3 million for the six months ended 30 June 2017. Gross profit margin of North Cement increased to 36.1% for the six months ended 30 June 2018 from 34.4% for the six months ended 30 June 2017, 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 decreased by 82.5% to RMB47.3 million for the six months ended 30 June 2018 from RMB270.5 million for the six months ended 30 June 2017. Operating profit margin of North Cement decreased from 12.1% for the six months ended 30 June 2017 to 2.4% for the six months ended 30 June 2018, primarily due to the decrease in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss, partially offset by the increase in the gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### CEMENT SEGMENT (CONTINUED)

#### *SOUTHWEST CEMENT*

*Revenue*

Revenue of Southwest Cement increased by 24.1% to RMB12,818.8 million for the six months ended 30 June 2018 from RMB10,330.7 million for the six months ended 30 June 2017, mainly attributable to the increase in the average selling price and the sales volume of cement products and commercial concrete.

*Cost of sales*

Cost of sales of Southwest Cement increased by 14.5% to RMB8,726.4 million for the six months ended 30 June 2018 from RMB7,620.2 million for the six months ended 30 June 2017, mainly attributable to the increase in the sales volume of cement products and commercial concrete.

*Gross profit and gross profit margin*

Gross profit of Southwest Cement increased by 51.0% to RMB4,092.3 million for the six months ended 30 June 2018 from RMB2,710.5 million for the six months ended 30 June 2017. Gross profit margin of Southwest Cement increased from 26.2% for the six months ended 30 June 2017 to 31.9% for the six months ended 30 June 2018, mainly attributable to the increase in the average selling price of cement products and commercial concrete.

*Operating profit*

Operating profit of Southwest Cement increased by 63.6% to RMB2,458.9 million for the six months ended 30 June 2018 from RMB1,503.3 million for the six months ended 30 June 2017. Operating profit margin of the Southwest Cement increased from 14.6% for the six months ended 30 June 2017 to 19.2% for the six months ended 30 June 2018, primarily due to the increase in the gross profit margin, partially offset by increase in allowance of impairment of receivables.

## FINANCIAL REVIEW (CONTINUED)

### CEMENT SEGMENT (CONTINUED)

#### *SINOMA CEMENT*

*Revenue*

Revenue of Sinoma Cement increased by 29.7% to RMB4,172.0 million for the six months ended 30 June 2018 from RMB3,215.5 million for the six months ended 30 June 2017, mainly attributable to the increase in the average selling price of cement products and commercial concrete, partially offset by the decrease in sales volume of cement products and commercial concrete.

*Cost of sales*

Cost of sales of Sinoma Cement increased by 11.7% to RMB2,743.9 million for the six months ended 30 June 2018 from RMB2,456.5 million for the six months ended 30 June 2017, mainly attributable to the increase in the raw materials prices, partially offset by the decrease in sales volume of cement products and commercial concrete.

*Gross profit and gross profit margin*

Gross profit of Sinoma Cement increased by 88.1% to RMB1,428.1 million for the six months ended 30 June 2018 from RMB759.0 million for the six months ended 30 June 2017. Gross profit margin of Sinoma Cement increased from 23.6% for the six months ended 30 June 2017 to 34.2% for the six months ended 30 June 2018. 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 raw materials prices.

*Operating profit*

Operating profit of Sinoma Cement increased by 181.4% to RMB1,116.4 million for the six months ended 30 June 2018 from RMB396.7 million for the six months ended 30 June 2017. Operating profit margin of Sinoma Cement increased from 12.3% for the six months ended 30 June 2017 to 26.8% for the six months ended 30 June 2018. The increase in operating profit margin was primarily due to the increase in gross profit margin.

# FINANCIAL REVIEW (CONTINUED)

## CEMENT SEGMENT (CONTINUED)

### *TIANSHAN CEMENT*

*Revenue*

Revenue of Tianshan Cement increased by 13.5% to RMB2,898.2 million for the six months ended 30 June 2018 from RMB2,553.8 million for the six months ended 30 June 2017, mainly attributable to the increase in the average selling price of cement products and commercial concrete, partially offset by the decrease in sales volume of cement products and commercial concrete.

*Cost of sales*

Cost of sales of Tianshan Cement increased by 0.1% to RMB1,909.4 million for the six months ended 30 June 2018 from RMB1,907.2 million for the six months ended 30 June 2017, mainly attributable to the increase in the coal prices, partially offset by the decrease in sales volume of cement products and commercial concrete.

*Gross profit and gross profit margin*

Gross profit of Tianshan Cement increased by 53.0% to RMB988.9 million for the six months ended 30 June 2018 from RMB646.5 million for the six months ended 30 June 2017. Gross profit margin of Tianshan Cement increased from 25.3% for the six months ended 30 June 2017 to 34.1% for the six months ended 30 June 2018. 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 coal prices.

*Operating profit*

Operating profit of Tianshan Cement increased by 103.1% to RMB544.8 million for the six months ended 30 June 2018 from RMB268.2 million for the six months ended 30 June 2017. Operating profit margin of Tianshan Cement increased from 10.5% for the six months ended 30 June 2017 to 18.8% for the six months ended 30 June 2018. The increase in operating profit margin was primarily due to the increase in gross profit margin, but was partially offset by the decrease in the net gain from change in fair value of financial assets at fair value through profit or loss.

## FINANCIAL REVIEW (CONTINUED)

### CEMENT SEGMENT (CONTINUED)

#### *NINGXIA BUILDING MATERIALS*

*Revenue*

Revenue of Ningxia Building Materials decreased by 17.0% to RMB1,654.8 million for the six months ended 30 June 2018 from RMB1,993.5 million for the six months ended 30 June 2017, mainly attributable to the decrease in the sales volume of cement products and commercial concrete, partially offset by the increase in the average selling price of cement products and commercial concrete.

*Cost of sales*

Cost of sales of Ningxia Building Materials decreased by 25.9% to RMB1,087.0 million for the six months ended 30 June 2018 from RMB1,467.4 million for the six months ended 30 June 2017, mainly attributable to the decrease in sales volume of cement products and commercial concrete, partially offset by the increase in the coal prices.

*Gross profit and gross profit margin*

Gross profit of Ningxia Building Materials increased by 7.9% to RMB567.7 million for the six months ended 30 June 2018 from RMB526.2 million for the six months ended 30 June 2017. Gross profit margin of Ningxia Building Materials increased from 26.4% for the six months ended 30 June 2017 to 34.3% for the six months ended 30 June 2018. 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 Ningxia Building Materials decreased by 0.2% to RMB211.4 million for the six months ended 30 June 2018 from RMB211.9 million for the six months ended 30 June 2017. Operating profit margin of Ningxia Building Materials increased from 10.6% for the six months ended 30 June 2017 to 12.8% for the six months ended 30 June 2018. The increase in operating profit margin was primarily due to the increase in gross profit margin, partially offset by the decrease in VAT refunds.

## FINANCIAL REVIEW (CONTINUED)

### CEMENT SEGMENT (CONTINUED)

#### *QILIANSHAN*

*Revenue*

Revenue of Qilianshan decreased by 10.0% to RMB2,313.5 million for the six months ended 30 June 2018 from RMB2,570.7 million for the six months ended 30 June 2017, mainly attributable to the decrease in the sales volume of cement products and commercial concrete, partially offset by the increase in the average selling price of cement products and commercial concrete.

*Cost of sales*

Cost of sales of Qilianshan decreased by 12.3% to RMB1,597.9 million for the six months ended 30 June 2018 from RMB1,821.9 million for the six months ended 30 June 2017, mainly attributable to the decrease in sales volume of cement products and commercial concrete, partially offset by the increase in the coal prices.

*Gross profit and gross profit margin*

Gross profit of Qilianshan decreased by 4.4% to RMB715.6 million for the six months ended 30 June 2018 from RMB748.7 million for the six months ended 30 June 2017. Gross profit margin of Qilianshan increased from 29.1% for the six months ended 30 June 2017 to 30.9% for the six months ended 30 June 2018. 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 Qilianshan decreased by 18.2% to RMB229.5 million for the six months ended 30 June 2018 from RMB280.6 million for the six months ended 30 June 2017. Operating profit margin of Qilianshan decreased from 10.9% for the six months ended 30 June 2017 to 9.9% for the six months ended 30 June 2018. The decrease in operating profit margin was primarily due to the decrease in the net gain from the changes in the fair value of financial assets recognized at fair value through profit or loss, partially offset by the increase in gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### NEW MATERIALS SEGMENT

#### *BNBM*

*Revenue*

Revenue of BNBM increased by 30.3% to RMB5,656.9 million for the six months ended 30 June 2018 from RMB4,341.7 million for the six months ended 30 June 2017. This was mainly attributable to the increase in the average selling price and sales volume of gypsum boards.

*Cost of sales*

Cost of sales of BNBM increased by 21.6% to RMB3,814.1 million for the six months ended 30 June 2018 from RMB3,136.1 million for the six months ended 30 June 2017. This was mainly due to the increase in the sales volume of gypsum boards, and the increase in the coal prices.

*Gross profit and gross profit margin*

Gross profit of BNBM increased by 52.9% to RMB1,842.8 million for the six months ended 30 June 2018 from RMB1,205.6 million for the six months ended 30 June 2017. Gross profit margin of BNBM increased to 32.6% for the six months ended 30 June 2018 from 27.8% for the six months ended 30 June 2017, mainly attributable to the increase in the average selling price of gypsum boards.

*Operating profit*

Operating profit of BNBM increased by 86.5% to RMB1,506.4 million for the six months ended 30 June 2018 from RMB807.8 million for the six months ended 30 June 2017. Operating profit margin of BNBM increased from 18.6% for the six months ended 30 June 2017 to 26.6% for the six months ended 30 June 2018, mainly attributable to the increase in the gross profit margin and the increase in VAT refunds.

## FINANCIAL REVIEW (CONTINUED)

### NEW MATERIALS SEGMENT (CONTINUED)

#### *SINOMA SCIENCE & TECHNOLOGY*

*Revenue*

Revenue of Sinoma Science & Technology increased by 5.2% to RMB4,638.8 million for the six months ended 30 June 2018 from RMB4,409.5 million for the six months ended 30 June 2017, mainly attributable to the increase in the sales volume of glass fiber yarn and the increase in the average selling price of rotor blades, partially offset by the decreases in the price of glass fiber yarn and the sales volume of rotor blades.

*Cost of sales*

The cost of sales of Sinoma Science & Technology increased by 6.1% to RMB3,376.5 million for the six months ended 30 June 2018 from RMB3,182.9 million for the six months ended 30 June 2017, mainly attributable to the increase in the sales volume of glass fiber yarn, partially offset by the decrease in sales volume of rotor blades.

*Gross profit and gross profit margin*

Gross profit of Sinoma Science & Technology increased by 2.9% to RMB1,262.3 million for the six months ended 30 June 2018 from RMB1,226.6 million for the six months ended 30 June 2017. Gross profit margin of Sinoma Science & Technology decreased to 27.2% for the six months ended 30 June 2018 from 27.8% for the six months ended 30 June 2017. The decrease in gross profit margin was mainly attributable to the decrease of the gross profit margin of rotor blades.

*Operating profit*

Operating profit of Sinoma Science & Technology increased by 9.7% to RMB668.4 million for the six months ended 30 June 2018 from RMB609.4 million for the six months ended 30 June 2017. The operating profit margin of Sinoma Science & Technology increased to 14.4% for the six months ended 30 June 2018 from 13.8% for the six months ended 30 June 2017. The increase in operating profit margin was mainly attributable to the increase in government grants and decrease in transportation costs, but was partially offset by the decrease in VAT refunds and the decrease in gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### NEW MATERIALS SEGMENT (CONTINUED)

#### *CHINA COMPOSITES*

*Revenue*

Revenue of China Composites increased by 14.1% to RMB849.0 million for the six months ended 30 June 2018 from RMB744.2 million for the six months ended 30 June 2017, mainly attributable to the increase in the average selling price and the sales volume of rotor blades and glass steel products.

*Cost of sales*

The cost of sales of China Composites increased by 15.8% to RMB645.1 million for the six months ended 30 June 2018 from RMB557.3 million for the six months ended 30 June 2017, mainly attributable to the increase in the sales volume of rotor blades and glass steel products.

*Gross profit and gross profit margin*

Gross profit of China Composites increased by 9.1% to RMB203.9 million for the six months ended 30 June 2018 from RMB186.9 million for the six months ended 30 June 2017. Gross profit margin of China Composites decreased to 24.0% for the six months ended 30 June 2018 from 25.1% for the six months ended 30 June 2017. 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 of China Composites increased by 9.3% to RMB110.9 million for the six months ended 30 June 2018 from RMB101.4 million for the six months ended 30 June 2017. The operating profit margin of China Composites decreased to 13.1% for the six months ended 30 June 2018 from 13.6% for the six months ended 30 June 2017. The decrease in operating profit margin was mainly attributable to the decrease in the gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### NEW MATERIALS SEGMENT (CONTINUED)

#### *SINOMA ADVANCED*

*Revenue*

Revenue of Sinoma Advanced decreased by 5.7% to RMB630.5 million for the six months ended 30 June 2018 from RMB668.2 million for the six months ended 30 June 2017, mainly attributable to the decrease in average selling price and sales volume of solar-energy fused silica crucibles.

*Cost of sales*

The cost of sales of Sinoma Advanced decreased by 5.2% to RMB522.5 million for the six months ended 30 June 2018 from RMB551.2 million for the six months ended 30 June 2017, mainly due to the decrease in sales volume of solar-energy fused silica crucibles.

*Gross profit and gross profit margin*

Gross profit of Sinoma Advanced decreased by 7.7% to RMB108.0 million for the six months ended 30 June 2018 from RMB117.1 million for the six months ended 30 June 2017. Gross profit margin of Sinoma Advanced decreased to 17.1% for the six months ended 30 June 2018 from 17.5% for the six months ended 30 June 2017. The decrease in gross profit margin was mainly attributable to the decrease in the average selling price of solar-energy fused silica crucibles.

*Operating profit*

Operating profit of Sinoma Advanced increased by 25.9% to RMB24.8 million for the six months ended 30 June 2018 from RMB19.7 million for the six months ended 30 June 2017. The operating profit margin of Sinoma Advanced increased to 3.9% for the six months ended 30 June 2018 from 3.0% for the six months ended 30 June 2017. The increase in operating profit margin was mainly attributable to the decrease in transportation costs, but was partially offset by the decrease in gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### ENGINEERING SERVICES SEGMENT

#### *SINOMA INTERNATIONAL*

*Revenue*

Revenue of Sinoma International increased by 14.1% to RMB10,022.9 million for the six months ended 30 June 2018 from RMB8,781.8 million for the six months ended 30 June 2017, mainly attributable to the increase in completed construction services in the period.

*Cost of sales*

Cost of sales of Sinoma International increased by 11.2% to RMB8,269.9 million for the six months ended 30 June 2018 from RMB7,438.9 million for the six months ended 30 June 2017, mainly attributable to the increase in completed construction services in the period.

*Gross profit and gross profit margin*

Gross profit of Sinoma International increased by 30.5% to RMB1,753.1 million for the six months ended 30 June 2018 from RMB1,342.9 million for the six months ended 30 June 2017. Gross profit margin of Sinoma International increased to 17.5% for the six months ended 30 June 2018 from 15.3% for the six months ended 30 June 2017, mainly attributable to the increase in gross profit margin of EPC projects in the product portfolio of Sinoma International.

*Operating profit*

Operating profit of Sinoma International increased by 45.9% to RMB749.0 million for the six months ended 30 June 2018 from RMB513.3 million for the six months ended 30 June 2017. Operating profit margin of Sinoma International increased to 7.5% for the six months ended 30 June 2018 from 5.8% for the six months ended 30 June 2017, mainly attributable to the increase in gross profit margin, but partially offset by the increase in R&D fee.

## FINANCIAL REVIEW (CONTINUED)

### ENGINEERING SERVICES SEGMENT (CONTINUED)

#### *CHINA TRIUMPH*

*Revenue*

Revenue of China Triumph increased by 4.0% to RMB4,096.5 million for the six months ended 30 June 2018 from RMB3,940.6 million for the six months ended 30 June 2017, mainly attributable to the increase in completed construction services in the period.

*Cost of sales*

Cost of sales of China Triumph increased by 1.7% to RMB3,124.4 million for the six months ended 30 June 2018 from RMB3,071.9 million for the six months ended 30 June 2017, mainly attributable to the increase in completed construction services in the period.

*Gross profit and gross profit margin*

Gross profit of China Triumph increased by 11.9% to RMB972.1 million for the six months ended 30 June 2018 from RMB868.7 million for the six months ended 30 June 2017. Gross profit margin of China Triumph increased to 23.7% for the six months ended 30 June 2018 from 22.0% for the six months ended 30 June 2017, mainly attributable to the increase in gross profit margin of EPC projects in the product portfolio of China Triumph.

*Operating profit*

Operating profit of China Triumph decreased by 12.3% to RMB520.9 million for the six months ended 30 June 2018 from RMB593.9 million for the six months ended 30 June 2017. Operating profit margin of China Triumph decreased to 12.7% for the six months ended 30 June 2018 from 15.1% for the six months ended 30 June 2017, mainly attributable to the decrease in gains from disposal of subsidiaries and the increase in exchange losses, partially offset by increase in gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### ENGINEERING SERVICES SEGMENT (CONTINUED)

#### *SINOMA MINING*

*Revenue*

Revenue of Sinoma Mining increased by 21.5% to RMB1,289.8 million for the six months ended 30 June 2018 from RMB1,061.8 million for the six months ended 30 June 2017, mainly attributable to the increase in completed construction services in the period.

*Cost of sales*

Cost of sales of Sinoma Mining increased by 23.9% to RMB1,106.5 million for the six months ended 30 June 2018 from RMB893.4 million for the six months ended 30 June 2017, mainly attributable to the increase in completed construction services in the period.

*Gross profit and gross profit margin*

Gross profit of Sinoma Mining increased by 8.8% to RMB183.3 million for the six months ended 30 June 2018 from RMB168.5 million for the six months ended 30 June 2017. Gross profit margin of Sinoma Mining decreased to 14.2% for the six months ended 30 June 2018 from 15.9% for the six months ended 30 June 2017, mainly attributable to the decrease in gross profit margin of EPC projects in the product portfolio of Sinoma Mining.

*Operating profit*

Operating profit of Sinoma Mining increased by 10.3% to RMB97.9 million for the six months ended 30 June 2018 from RMB88.7 million for the six months ended 30 June 2017. Operating profit margin of Sinoma Mining decreased to 7.6% for the six months ended 30 June 2018 from 8.4% for the six months ended 30 June 2017. The decrease in operating profit was mainly attributable to the decrease in gross profit margin.

## FINANCIAL REVIEW (CONTINUED)

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had unused banking facilities and bonds, which were registered but not yet issued, of approximately RMB191,947.1 million in total.

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

| | **As at 30 June 2018** | As at 31 December 2017 |
|---|---|---|
| | *(RMB in millions)* | |
| Bank loans | **215,721.6** | 207,732.5 |
| Other unsecured borrowings from non-financial institutions | **1,522.4** | 1,519.9 |
| Total | **217,244.0** | 209,252.4 |

The table below sets out the Group's borrowings by maturity date as at the dates indicated:

| | **As at 30 June 2018** | As at 31 December 2017 |
|---|---|---|
| | *(RMB in millions)* | |
| Borrowings are repayable as follows: | | |
| Within one year or on demand | **150,825.6** | 148,139.7 |
| Between one and two years | **26,430.0** | 25,216.8 |
| Between two and three years | **15,316.7** | 11,644.2 |
| Between three and five years | **16,065.8** | 14,491.8 |
| Over five years | **8,605.9** | 9,759.9 |
| Total | **217,244.0** | 209,252.4 |

As at 30 June 2018, bank loans in the total amount of RMB5,474.0 million were secured by assets of the Group with a total carrying value of RMB24,014.4 million.

As at 30 June 2018 and 31 December 2017, the debt to assets ratio of the Group, calculated by dividing total borrowings by total assets of the Group, were 46.8% and 46.1%, respectively.

## FINANCIAL REVIEW (CONTINUED)

### EXCHANGE RISKS

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

### CONTINGENT LIABILITIES

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

### CAPITAL COMMITMENTS

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

| | **As at 30 June 2018** | As at 31 December 2017 |
|---|---|---|
| | *(RMB in millions)* | |
| Capital expenditure of the Group in respect of acquisition of property, plant and equipment and so on (contracted but not provided) | **973.6** | 1,077.1 |

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Board did not approve any plans on other future material investments or newly added capital assets as of the date of this report.

## FINANCIAL REVIEW (CONTINUED)

### CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the six months ended 30 June 2018 by segment:

| | For the six months ended 30 June 2018 | |
|---|---|---|
| | *(RMB in millions)* | *% of the total* |
| Cement | **4,676.1** | **58.9** |
| Commercial concrete | **356.1** | **4.5** |
| New materials | **2,038.7** | **25.7** |
| Engineering services | **416.7** | **5.2** |
| Others | **451.8** | **5.7** |
| Total | **7,939.4** | **100.0** |

### CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 30 June 2018, the net cash inflow generated from operating activities of the Group was RMB15,806.9 million. Such net cash inflow was mainly attributable to RMB23,650.3 million of cash flow from operating activities before the change in working capital, partially offset mainly by the increase of RMB4,528.1 million in trade and other receivables and the increase of RMB3,374.3 million in inventories.

### CASH FLOW FROM INVESTING ACTIVITIES

For the six months ended 30 June 2018, the net cash outflow generated from investing activities of the Group was RMB10,471.9 million, mainly attributable to expenditures for purchase of property, plant and equipment of RMB6,945.4 million and for deposits paid of RMB2,316.9 million.

### CASH FLOW FROM FINANCING ACTIVITIES

For the six months ended 30 June 2018, the net cash outflow generated from financing activities of the Group was RMB2,443.0 million, mainly attributable to the repayment of borrowings of RMB97,994.6 million and payment of interest of RMB5,822.4 million, partially offset by RMB106,109.2 million for raising new borrowings.

## FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

At the annual general meeting of the Company held on 13 June 2018, the Company declared a final dividend of RMB843,477,066.20 in total (pre-tax) for the period from 1 January 2017 to 31 December 2017 for the Shareholders whose names appeared on the register of members of the Company on 25 June 2018, representing RMB0.100 per share (pre-tax).

## INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2018.

## MATERIAL TRANSACTIONS

### Merger Agreement with Sinoma

On 8 September 2017, the Company and Sinoma entered into a merger agreement, pursuant to which, the Company and Sinoma have implemented the Merger subject to the terms and conditions of the Merger Agreement. After the completion of the Merger, Sinoma was merged into and absorbed by the Company in accordance with the PRC Company Law and other applicable PRC laws. On 2 May 2018, the H Share Exchange (i.e. the issuance and dispatch of H Share certificates of the Company to Sinoma Share-Exchange Shareholders) and the Unlisted Share Exchange (i.e. share registration of the Unlisted Shares of the Company issued to Sinoma Share-Exchange Shareholders) have been completed. On 31 July 2018, the Company received a new business certificate dated 30 July 2018 issued by the Beijing Municipal Administration of Industry and Commerce (the "BAIC") reflecting the completion of the business registration update in connection with the Merger at the BAIC.

The highest relevant percentage ratio for transaction classification under the Listing Rules in respect of the relevant acquisition and the issue and exchange of the H Shares and Unlisted Shares of the Company pursuant to the Merger exceeded 25% and was lower than 100%. As a result, the Merger constituted a major transaction of the Company. In addition, as the Parent, the controlling shareholder of the Company, then controlled more than 30% of the equity interest in Sinoma through Sinoma Parent, a wholly-owned subsidiary of the Parent, Sinoma was therefore an associate of the Parent and hence a connected person of the Company. The Merger therefore also constituted a connected transaction of the Company.

## MATERIAL TRANSACTIONS (CONTINUED)

### Merger Agreement with Sinoma (Continued)

The details of the Merger have been disclosed in the Company's joint announcement dated 8 September 2017, the announcement dated 29 September 2017, the merger document, the circular and the joint announcement dated 20 October 2017, the joint announcement dated 6 November 2017, the supplemental circular and the joint announcement dated 17 November 2017, the joint announcement dated 23 November 2017, the announcement dated 6 December 2017, the overseas regulatory announcement dated 7 December 2017, the joint announcement dated 18 December 2017, the joint announcement dated 21 December 2017, the overseas regulatory announcement dated 22 December 2017, the joint announcement dated 29 December 2017, the announcement dated 25 January 2018, the joint announcement dated 16 March 2018, the joint announcement and the announcement dated 29 March 2018, the announcement dated 6 April 2018, the announcement dated 2 May 2018 and the announcement dated 31 July 2018. As of the date of this report, this transaction and the Company's registration procedures for the Merger with the industrial and commercial administration have been completed, and the industrial and commercial de-registration of Sinoma is yet to be completed.

### The Financial Services Framework Agreement

On 23 March 2018, the Company and Sinoma Group Finance Co., Ltd. (中材集團財務有限公司) ("Sinoma Finance") entered into the Financial Services Framework Agreement ("Framework Agreement") with a term of two years from 1 January 2018 to 31 December 2019, pursuant to which, Sinoma Finance has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions therein.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the provision of deposit services under the Framework Agreement exceeded 25%, the deposit services to be provided by Sinoma Finance to the Group constituted a major transaction, which is subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules. The Framework Agreement and the provision of deposit services and the cap of the deposit services contemplated thereunder were approved by independent Shareholders at the annual general meeting of the Company held on 13 June 2018.

The details of the Financial Services Framework Agreement signed with Sinoma Finance have been disclosed in the announcement and circular of the Company dated 23 March 2018 and 25 April 2018, respectively.

## CONNECTED TRANSACTIONS

### Partially Exempted Continuing Connected Transactions

Particulars of connected transactions are set out in Note 30 to the interim financial statements. The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules. For details of the continuing connected transactions between the Group and each of (a) the Parent Group and (b) Jingang Group respectively, and the relevant exemptions, please refer to the Company's announcement on continuing connected transactions dated 18 January 2017 and the 2017 annual report of the Company.

#### *Transactions with Parent Group*

For the six months ended 30 June 2018, the Group's income from its supply of products and services to the Parent Group amounted to approximately RMB102 million, representing approximately 0.1% 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 RMB263 million, representing approximately 0.4% of total cost of sales of the Group for the same period.

#### *Master Agreement on Sales 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.

On 18 August 2017, North Cement and Mudanjiang North Cement Company Limited* ("MNC", a 51% owned subsidiary of Jingang Group as at the date of the relevant equity transfer agreement) entered into the equity transfer agreements, pursuant to which North Cement has agreed to acquire the equity interests in 19 subsidiaries held by MNC ("Targets"), at an aggregate cash consideration of RMB2,299,474,996.66. On 18 August 2017, North Cement entered into the equity transfer agreements with MNC, pursuant to which North Cement has agreed to acquire 51% of equity interests in MNC at a consideration of RMB213,473,612.40. Details of the acquisition of equity interest in MNC and its subsidiaries are set out in the announcement of the Company dated 18 August 2017, the 2017 interim report and the 2017 annual report of the Company.

Upon completion of the acquisitions in 2017, the Targets and MNC have become direct subsidiaries of North Cement and have ceased to be connected persons of the Company. Accordingly, the continuing transactions between any Group member and the Targets and MNC are no longer governed by the Master Agreement on Sales of Products between North Cement and Jingang Group, and also no longer constitute continuing connected transactions of the Group. For the six months ended 30 June 2018, the Group did not conduct any continuing connected transactions with Jingang Group or its subsidiaries.

## CONNECTED TRANSACTIONS (CONTINUED)

### Non-exempt Continuing Connected Transaction

#### *Financial Services Framework Agreement*

Reference is made to the Financial Services Framework Agreement with Sinoma Finance as set out in the section headed "Material Transactions" in this interim report of the Company. Pursuant to the agreement, Sinoma Finance has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions therein. As Sinoma Finance is a subsidiary of the Parent, it is a connected person of the Company under the Listing Rules. The transaction between the Company and Sinoma Finance constitutes a continuing connected transaction of the Company.

For details of the Financial Services Framework Agreement, please refer to the announcement and circular of the Company dated 23 March 2018 and 25 April 2018, respectively.

### Continuing Transactions Subsequently Becoming Connected

#### *Transactions with the Sinoma Parent Group*

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 reorganization involving the Parent (being the controlling shareholder of the Company) and Sinoma Parent. Upon completion of the transaction in March 2017, Sinoma Parent has become a connected person of the Company by virtue of becoming a wholly-owned subsidiary of the Parent. Before Sinoma Parent became a connected person of the Company, members of the Group had entered into agreements ("Subsequent CCT Agreements") with members of the Sinoma Parent Group in the ordinary and usual course of business, which transactions had been of a revenue nature. Pursuant to Rule 14A.60 of the Listing Rules, upon completion of the reorganisation involving the Parent and Sinoma Parent in March 2017, the Subsequent CCT Agreements and the transactions contemplated thereunder constituted continuing transactions which had subsequently become continuing connected transactions of the Group. For details of the Subsequent CCT Agreements and further details of such transactions please refer to the announcement of the Company dated 18 January 2017 and 22 February 2017.

The H Share Exchange and Unlisted Share Exchange under the Merger were completed on 2 May 2018. Upon the Share Exchange, the Company has assumed all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of Sinoma. As the former subsidiaries of Sinoma have also become subsidiaries of the Company, such subsidiaries have ceased to be connected persons of the Company. The continuing transactions between the Group member and the said non-connected subsidiaries of the Company also no longer constitute continuing connected transactions of the Group, but will continue to be conducted in accordance with the Subsequent CCT Agreements.

For the period from 1 January 2018 to 2 May 2018, the amount paid by the Group to the Sinoma Parent Group pursuant to continuing connected transactions of the Group under the Subsequent CCT Agreements amounted to RMB15.6 million.

## CONNECTED TRANSACTIONS (CONTINUED)

### Partially Exempted Connected Transactions

For the six months ended 30 June 2018 and up to the date of this report, the Company entered into the following partially-exempted connected transactions.

#### *Capital Contribution to Sanshi South*

On 11 April 2018, Zhejiang South Cement (an indirect subsidiary of the Company) and Zhejiang Sanshi Group Limited Company (浙江三獅集團有限公司) ("Sanshi Group", a 100% indirectly-held subsidiary of the Parent), being shareholders of Sanshi South, entered into a capital contribution agreement, pursuant to which Zhejiang South Cement has agreed to make a capital contribution to Sanshi South in cash. Upon completion of the capital contribution, Sanshi South was held as to 90% by the Company through Zhejiang South Cement and 10% by the Parent through Sanshi Group and has become a subsidiary of the Company.

Details of the capital contribution to Sanshi South have been disclosed in the announcement of the Company dated 11 April 2018. As at the date of this report, the transaction has been completed.

#### *Disposal of Equity Interests in Subsidiaries to a Connected Subsidiary*

On 12 June 2018, Zhejiang South Cement and Jinhua South Cement Company Limited (金華南方水泥有限公司) (both indirect subsidiaries of the Company, the "Sellers") and Sanshi South (a 90% indirectly-held subsidiary of the Company, the Parent indirectly held 10% of its equity interest) entered into an equity transfer agreement, pursuant to which the Sellers have agreed to transfer their respective equity interests in 25 indirect subsidiaries of the Company in the Zhejiang Province (comprising 24 companies engaging in commercial concrete businesses and one mineral company) to Sanshi South at a consideration of RMB1,316,005,900.

Details of the disposal of equity interests in subsidiaries to a connected subsidiary have been disclosed in the announcement of the Company dated 12 June 2018. As at the date of this report, the transaction has been completed.

#### *Acquisition of Equity Interest in Southwest Cement*

On 20 June 2018, the Company, Zhonghai Trust and Southwest Cement (a subsidiary of the Company), entered into an equity transfer agreement, pursuant to which the Company has agreed to purchase, and Zhonghai Trust has agreed to sell, the 18.70% equity interest in Southwest Cement. Upon completion of the acquisition, the Company's equity interest in Southwest Cement has increased from 70% to 88.70%.

Details of the acquisition of equity interest in Southwest Cement have been disclosed in the announcement of the Company dated 20 June 2018. As at the date of this report, the transaction has been completed.

## CONNECTED TRANSACTIONS (CONTINUED)

### Partially Exempted Connected Transactions (Continued)

#### *Supplemental Agreement to the Relocation Compensation Agreement*

On 4 April 2014, Tianshan Cement and Tianshan Real Estate entered into the relocation compensation agreement ("Relocation Compensation Agreement"), pursuant to which Tianshan Real Estate agreed to pay a certain amount through six annual instalments from 2014 to 2019, in return of which Tianshan Cement agreed to deliver corresponding assets on the Cangfanggou Plant (being the plant located in Urumqi in the PRC which used to be operated by Tianshan Cement) in batches.

On 27 July 2018, Tianshan Cement (a subsidiary of the Company), Tianshan Real Estate ( a subsidiary of the Parent) and Tianshan Building Materials (a subsidiary of the Parent and the 100% holding company of Tianshan Real Estate) entered into the Supplemental Agreement to the Relocation Compensation Agreement to, among other things, adjust the payment schedule for the outstanding amount of RMB578,233,672.90 under the Relocation Compensation Agreement.

Details of the Supplemental Agreement to the Relocation Compensation Agreement are disclosed in the announcement of the Company issued on 27 July 2018.

### Non-Exempt Connected Transactions

#### *Merger Agreement with Sinoma*

Reference is made to the Merger Agreement with Sinoma as set out in the section headed "MATERIAL TRANSACTIONS" in this interim report. Pursuant to which, the Company and Sinoma have implemented the Merger subject to the terms and conditions of the Merger Agreement. After the Merger, Sinoma has been merged into and absorbed by the Company in accordance with the PRC Company Law and other applicable PRC laws. The H Share Exchange (i.e. issuance and dispatch of H share certificates of the Company to Sinoma Share-Exchange Shareholders) and the Unlisted Share Exchange (i.e. share registration of the Unlisted Shares of the Company issued to Sinoma Share-Exchange Shareholders) have been completed on 2 May 2018. On 31 July 2018, the Company received a new business certificate dated 30 July 2018 issued by the Beijing Municipal Administration of Industry and Commerce (the "BAIC") reflecting the completion of the business registration update in connection with the Merger at the BAIC. As the Parent, the controlling shareholder of the Company, then controlled more than 30% of the equity interest in Sinoma through its wholly-owned subsidiary, Sinoma Parent, Sinoma was an associate of the Parent and hence a connected person of the Company. The Merger therefore constitutes a connected transaction of the Company.

## CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2018, the Company complied 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. In view that Mr. Song Zhiping ceased to serve as a director of the Company with effect from 13 June 2018, Mr. Peng Shou was elected as a member of the strategic steering committee for the vacancy and Mr. Cao Jianglin was elected as the chairman of the strategic steering committee at the seventh meeting of the fourth session of the Board held on 13 June 2018. 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 2017 and proposals relating to the working arrangement in 2018.

### Nomination Committee

The Company has established a nomination committee which comprises three Directors, including one executive Director and two independent non-executive Directors. In view that Mr. Song Zhiping ceased to serve as a director of the Company with effect from 13 June 2018, Mr. Cao Jianglin was elected as a member of the nomination committee for the vacancy at the seventh meeting of the fourth session of the Board held on 13 June 2018. 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 of the fourth session of the board and the appointment of senior management of the Company.

## 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. In view that Mr. Song Zhiping ceased to serve as a director of the Company with effect from 13 June 2018, Mr. Cao Jianglin was elected as a member of the remuneration and performance appraisal committee for the vacancy at the seventh meeting of the fourth session of the Board held on 13 June 2018. 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 total remuneration of the senior management members and the fees of new directors of the Company for 2017.

### 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 of the date of this report, the audit committee has reviewed the 2017 conclusion of internal audit work of the Company, the 2018 working plan, the appointment of auditors for the year 2018, determination of audit expenses for the year 2017, the 2017 annual report and the 2018 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.

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. 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 2018 | |
|---|---|---|
| | Number of shares | Percentage of issued share *(%)* |
| **Unlisted Shares** | | |
| Domestic Shares | 4,454,898,633 | 52.81 |
| Unlisted Foreign Shares | 111,174,235 | 1.32 |
| **H Shares** | 3,868,697,794 | 45.87 |
| Total share capital | 8,434,770,662 | 100 |

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

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

## MATERIAL LITIGATION AND ARBITRATION OF THE GROUP

For the six months ended 30 June 2018, 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.

### The Gypsum Board Litigation in the United States

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, the announcement dated 22 June 2017, the 2017 annual report, the announcement dated 22 March 2018 and 22 August 2018 of the Company.

## MATERIAL LITIGATION AND ARBITRATION OF THE GROUP (CONTINUED)

### The Gypsum Board Litigation in the United States (Continued)

In March 2018, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum and/or Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan") are parties, BNBM and Taishan have jointly reached settlement with the plaintiff of one of the gypsum board cases, Meritage Homes of Floria, Inc. ("Meritage"). According to the terms of BNBM and Taishan's joint settlement with Meritage, Taishan agreed to pay Meritage US$1,380,000, in full and final settlement of Meritage's respective claims against BNBM and Taishan. In accordance with the settlement agreement, Taishan has paid the settlement sum to Meritage. The case filed by Meritage against BNBM and Taishan has been fully settled.

Having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum Company Limited* (泰山石膏有限公司) and/or Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司), Taishan has reached settlement with the plaintiffs (including Allen) ("Plaintiffs") of one of the gypsum board cases. This gypsum board case is a third-party claim which has been initiated by the original claimants, Venture Supply, Inc. and Porter-Blaine Corp., against Taishan, and has subsequently been transferred to the Plaintiffs (the "**Transferred Third-party Claim**") as a part of the settlement arrangement for a lawsuit brought by the Plaintiffs against Venture in Virginia in the US. According to the terms of settlement s, Taishan will pay a settlement sum of US$1,978,528.40 into a custodian account within 60 days from the effective date (i.e. 21 August 2018) of the settlement agreement. After the payment is made, the Plaintiffs will waive all liabilities with respect to Taishan the Transferred Third-party Claim involves, and will not make any further claims or allegations with respect thereto.

Each of the Company, BNBM and Taishan Gypsum has engaged domestic and overseas lawyers to conduct research and assessment on the litigation strategies and defence of the litigation case in respect of the gypsum board, as well as its impact on each of the companies. At present, the economic loss of the Company and the impact on its profit for the current period (if any) that may be resulted from the case cannot be accurately estimated. The Company will make further disclosure as and when necessary or appropriate in accordance with the progress of the litigation.

## OTHER LITIGATION

### Lawsuit in relation to Sinoma – the Lawsuit with Sinosteel Guangdong

References are made to the litigation announcements of Sinoma International in respect of China Sinoma Oriental International Trade Co., Ltd. ("Oriental Trade"), being a subsidiary of Sinoma International, and Sinosteel Group Guangdong Co., Ltd. ("Sinosteel Guangdong") reprinted by Sinoma in the form of overseas regulatory announcement dated 25 June 2013, 28 February 2014, 22 September 2014, 2 July 2015, 25 April 2016, 1 September 2016 and 13 March 2018. On 13 March 2018, Sinoma was notified by Sinoma International that Oriental Trade received the final civil judgment of Guangdong Higher People's Court ("Guangdong Higher Court"). In response to the appeal filed by Oriental Trade, the Guangdong Higher Court rejected the appeal and upheld the original judgment.

In response to the creditors' rights receivable involved in the above-mentioned lawsuit, Sinoma International has made full provision for impairments based on individual identification in compliance with the Accounting Standards for Business Enterprises and prudence principles. The judgment will not have a significant impact on the profits of the Company, nor will it cause a material impact on the production and operation of the Group.

## EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2018, the Group had approximately 158,582 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 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Since 13 June 2018, Mr. Song Zhiping and Mr. Guo Chaomin no longer served as directors of the Company, and Mr. Chang Zhangli has been redesignated from an executive director to a non-executive director of the Company. At the 2017 annual general meeting of the Company held on 13 June 2018, Mr. Peng Jianxin was elected as an executive director of the Company, and Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan were elected as non-executive directors of the Company. The term of office of each of the aforementioned new directors is from 13 June 2018 to 26 May 2019.

Since 13 June 2018, Ms. Xu Weibing no longer served as a supervisor of the Company. At the 2017 annual general meeting of the Company held on 13 June 2018, Mr. Li Xinhua and Mr. Guo Yanming were elected as supervisors, with the terms of office from 13 June 2018 to 26 May 2019. At the general staff meeting of the Company held on 30 May 2018, Mr. Wang Yingcai was elected as the staff representative supervisor of the Company, with the term of office from 13 June 2018 to 26 May 2019.

Since 13 June 2018, Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Chang Zhangli and Mr Zhang Dingjin no longer served as the Chairman of the Board, the President, the Vice President, the Vice President and the Secretary, and Vice President of the Company, respectively. At the seventh meeting of the fourth session of the Board held on 13 June 2018, Mr. Cao Jianglin and Mr. Peng Jianxin were elected as the Chairman and the Vice Chairman of the Company respectively, and Mr. Peng Shou and Mr. Yu Kaijun were appointed as the President of the Company and the Secretary of the Board (Mr. Yu Kaijun obtained the relevant exemption from the Stock Exchange on 29 June 2018, and was appointed as a joint company secretary of the Company on 2 July 2018) respectively.

On 3 May 2018, the Company convened the sixth meeting of the fourth session of the Board, and appointed Mr. Song Shoushun, Mr. Yu Mingqing, Mr. Sui Yumin, Mr. Su Kui, Mr. Yu Kaijun, Mr. Xue Zhongmin, Mr. Liu Yan and Mr. Liu Biao as Vice Presidents of the Company.

## EQUITY INCENTIVE PLAN

Sinoma International convened the 2017 fourth extraordinary general meeting on 6 December 2017 and reviewed and approved a share option incentive plan (the "Equity Incentive Plan"). On 6 December 2017, Sinoma reviewed and approved the Equity Incentive Plan at its extraordinary general meeting. On 7 December 2017, the share options (each a "Sinoma International Share Option") for a total of 17,424,500 ordinary A-shares of Sinoma International (each a "Sinoma International Share") were granted by Sinoma International (whose shares are traded on the Shanghai Stock Exchange) to certain grantees under the Equity Incentive Plan. On 26 January 2018, the Sinoma International Share Options granted have completed the relevant registration procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited. No Sinoma International Share Option was granted during the Reporting Period. The validity period of the Equity Incentive Plan is no more than 60 months, commencing from the date of grant of the Sinoma International Share Options.

As at 30 June 2018, details of the outstanding Sinoma International Share Options, which were all granted on 7 December 2017, were as follows:

| Category of participants | Exercise period | Exercise price per Sinoma International Share (RMB) | Number of Sinoma International Share Options (10,000 Sinoma International Shares): Not exercised as at 1 January 2018 | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Not exercised as at 30 June 2018 |
|---|---|---|---|---|---|---|
| Directors and employees (489 in total) of Sinoma International and its subsidiaries | From 7 December 2019 to 6 December 2020 | 9.27 | 580.82[(1)] | – | – | 580.82[(1)] |
| | From 7 December 2020 to 6 December 2021 | 9.27 | 580.82[(1)] | – | – | 580.82[(1)] |
| | From 7 December 2021 to 6 December 2022 | 9.27 | 580.82[(1)] | – | – | 580.82[(1)] |
| Total | | | 1,742.45 | | | 1,742.45 |

*Note:* Out of the 17,424,500 Sinoma International Share Options granted, 1/3 of the total Sinoma International Share Options granted is exercisable in each exercise period. The number (in 10,000 Sinoma International Shares) of the Sinoma International Share Options not exercised is rounded to two decimal places.

## DISCLOSURE OF INTERESTS

### I. Substantial shareholders and persons who had 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 2018, 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:

| 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] | Percentage of total share capital *(%)*[1] |
|---|---|---|---|---|---|---|---|
| Parent | Domestic Shares | Long | Beneficial owner | 504,991,734 | | | |
| | Domestic Shares | Long | Interest of controlled corporations | 3,039,394,456 | | | |
| | | | | 3,544,386,190 | 2,3 | 79.56 | 42.02 |
| | H Shares | Long | Beneficial owner | 8,536,000 | | | |
| | H Shares | Long | Interest of controlled corporations | 6,800,000 | | | |
| | | | | 15,336,000 | | 0.40 | 0.18 |
| BNBMG | Domestic Shares | Long | Beneficial owner | 1,485,566,956 | 2 | 33.35 | 17.61 |
| Sinoma Parent | Domestic Shares | Long | Beneficial owner | 1,270,254,437 | | | |
| | Domestic Shares | Long | Interest of controlled corporations | 54,680,483 | | | |
| | | | | 1,324,934,920 | 2 | 29.74 | 15.71 |
| | H Shares | Long | Interest of controlled corporations | 6,800,000 | | 0.18 | 0.08 |
| Cinda | Domestic Shares | Long | Beneficial owner | 410,252,200 | 3 | 9.21 | 4.86 |
| Taishan Finance | Domestic Shares | Long | Interest of controlled corporations | 263,318,181 | 4 | 5.91 | 3.12 |

## DISCLOSURE OF INTERESTS (CONTINUED)

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

| 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] | Percentage of total share capital *(%)*[1] |
|---|---|---|---|---|---|---|---|
| Taishan Investment | Domestic Shares | Long | Beneficial owner | 263,318,181 | 4 | 5.91 | 3.12 |
| CNBM Trading | Domestic Shares | Long | Beneficial owner | 227,719,530 | 2 | 5.11 | 2.70 |
| Citigroup, Inc. | H Shares | Long | Person having a security interest in shares | 55,756,173 | | | |
| | H Shares | Long | Interest of controlled corporations | 15,047,077 | | | |
| | H Shares | Long | Approved lending agent | 205,582,494 | | | |
| | | | | 276,385,744 | 5 | 7.14 | 3.27 |
| | H Shares | Short | Interest of controlled corporations | 8,909,382 | 5 | 0.23 | 0.10 |
| | H Shares | Lending Pool | – | 205,582,494 | 5 | 5.31 | 2.43 |
| BlackRock, Inc. | H Shares | Long | Interest of controlled corporations | 257,635,519 | 6 | 6.65 | 3.05 |
| | | Short | Interest of controlled corporations | 7,648,550 | 6 | 0.19 | 0.09 |
| Forchn International | Unlisted Foreign Shares | Long | Beneficial owner | 111,174,235 | | 100 | 1.32 |

## DISCLOSURE OF INTERESTS (CONTINUED)

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

*Notes:*

1. As at 30 June 2018, the Company's total issued share capital comprises 8,434,770,662 shares, including 4,454,898,633 Domestic Shares, 3,868,697,794 H Shares and 111,174,235 Unlisted Foreign Shares.

2. Of these 3,544,386,190 shares, 504,991,734 shares are directly held by the Parent, the remaining 3,039,394,456 shares are deemed corporate interest indirectly held through BNBMG, Sinoma Parent, CNBM Trading, Tianshan Building Materials and Building Materials Academy. Sinoma Parent, 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. Tianshan Building Materials is a subsidiary of Sinoma Parent which directly holds 50.95% of its equity interests. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), directly or indirectly held by Sinoma Parent (1,324,934,920 shares), directly held by CNBM Trading (227,719,530 shares) and directly held by 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 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 3,667,986,464 Domestic Shares (representing 82.34% in the domestic share capital and 43.49% in the total share capital) and Cinda was deemed to own 286,651,926 Domestic Shares (representing 6.43% in the domestic share capital and 3.40% 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. Taishan Investment is a wholly-owned subsidiary of Taishan Finance. Under the SFO, Taishan Finance is deemed to own 263,318,181 shares directly held by Taishan Investment.

## DISCLOSURE OF INTERESTS (CONTINUED)

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

*Notes: (Continued)*

5. Citigroup, Inc. was deemed to hold interests in a total of 276,385,744 H Shares (long position) and 8,909,382 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

   5.1 Citibank, N.A. held 206,821,964 H Shares (long position) and 1,239,470 H Shares (short position) in the Company. Citibank, N.A. was an indirect wholly-owned subsidiary of Citigroup, Inc.

   5.2 Citigroup Global Markets Hong Kong Limited held 1,921,303 H Shares (long position) and 309,723 H Shares (short position) in the Company. Citigroup Global Markets Hong Kong Limited was an indirect wholly-owned subsidiary of Citigroup, Inc.

   5.3 Citigroup Global Markets Inc. held 3,138,000 H Shares (long position) in the Company. Citigroup Global Markets Inc. was an indirect wholly-owned subsidiary of Citigroup, Inc.

   5.4 Citigroup Global Markets Limited held 64,504,477 H Shares (long position) and 7,360,189 H Shares (short position) in the Company. Citigroup Global Markets Limited was directly held as to 92% by Citigroup Global Markets Holdings Bahamas Limited, (indirectly held as to 50.2% by Citigroup Global Markets (International) Finance AG (an indirect wholly-owned subsidiary of Citigroup, Inc.), and 49.5% by Citigroup Financial Products Inc. (an indirect wholly-owned subsidiary of Citigroup, Inc.)

   The entire interest and short position of Citigroup, Inc. in the Company included a lending pool of 205,582,494 H Shares. Besides, 5,971,050 H Shares (long position) and 1,334,670 H Shares (short position) of Citigroup, Inc. in the Company were held through derivatives as follows:

| | | |
|---|---|---|
| 2,231,050 H Shares (long position) and 1,239,470 H Shares (short position) | – | through physically settled unlisted derivatives |
| 3,740,000 H Shares (long position) and 95,200 H Shares (short position) | – | through cash settled unlisted derivatives |

## DISCLOSURE OF INTERESTS (CONTINUED)

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

*Notes: (Continued)*

6. BlackRock, Inc. was deemed to hold interests in a total of 257,635,519 H Shares (long position) and 7,648,550 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

    6.1 BlackRock Investment Management, LLC held 1,836,536 H Shares (long position) in the Company. BlackRock Investment Management, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc.

    6.2 BlackRock Financial Management, Inc. held 2,572,000 H Shares (long position) in the Company. BlackRock Financial Management, Inc. was an indirect wholly-owned subsidiary of BlackRock, Inc.

    6.3 BlackRock Institutional Trust Company, National Association held 49,874,479 H Shares (long position) and 4,874,550 H Shares (short position) in the Company. BlackRock Institutional Trust Company, National Association was an indirect wholly-owned subsidiary of BlackRock, Inc.

    6.4 BlackRock Fund Advisors held 72,014,850 H Shares (long position) in the Company. BlackRock Fund Advisors was an indirect wholly-owned subsidiary of BlackRock, Inc.

    6.5 BlackRock Advisors, LLC held 300,000 H Shares (long position) in the Company. BlackRock Advisors, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc.

    6.6 BlackRock Japan Co., Ltd. held 11,206,501 H Shares (long position) in the Company. BlackRock Japan Co., Ltd was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

    6.7 BlackRock Asset Management Canada Limited held 848,000 H Shares (long position) in the Company. BlackRock Asset Management Canada Limited was an indirect wholly-owned subsidiary of BlackRock Canada Holdings LP, which in turn was directly owned as to 99.9% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

    6.8 BlackRock Investment Management (Australia) Limited held 1,027,750 H Shares (long position) in the Company. BlackRock Investment Management (Australia) Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

## DISCLOSURE OF INTERESTS (CONTINUED)

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

*Notes: (Continued)*

6.9 BlackRock Asset Management North Asia Limited held 2,019,603 H Shares (long position) in the Company. BlackRock Asset Management North Asia Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.10 BlackRock (Netherlands) B.V. held 586,000 H Shares (long position) in the Company. BlackRock (Netherlands) B.V. was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.11 BlackRock Advisors (UK) Limited held 570,924 H Shares (long position) in the Company. BlackRock Advisors (UK) Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.12 BlackRock International Limited held 1,234,000 H Shares (long position) in the Company. BlackRock International Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.13 BlackRock Asset Management Ireland Limited held 25,505,727 H Shares (long position) and 108,000 H Shares (short position) in the Company. BlackRock Asset Management Ireland Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.14 BLACKROCK (Luxembourg) S.A. held 17,388,350 H Shares (long position) and 2,666,000 H Shares (short position) in the Company. BLACKROCK (Luxembourg) S.A. was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.15 BlackRock Investment Management (UK) Limited held 16,340,745 H Shares (long position) in the Company. BlackRock Investment Management (UK) Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

## DISCLOSURE OF INTERESTS (CONTINUED)

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

*Notes: (Continued)*

6.16 BlackRock Fund Managers Limited held 28,555,244 H Shares (long position) in the Company. BlackRock Fund Managers Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.17 BlackRock Life Limited held 25,726,810 H Shares (long position) in the Company. BlackRock Life Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

6.18 BlackRock Asset Management (Schweiz) AG held 28,000 H Shares (long position) in the Company. BlackRock Asset Management (Schweiz) AG was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was directly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc.

The 170,000 H Shares (long position) and 3,210,000 H Shares (short position) of BlackRock, Inc. in the Company were held through derivatives as follows:

| | | |
|---|---|---|
| 170,000 H Shares (long position) and 3,210,000 H Shares (short position) | – | through cash settled unlisted derivatives |

Save as disclosed above, as at 30 June 2018, the Company has not been notified by any persons who had 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 (CONTINUED)

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

As at 30 June 2018, 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 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 of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 87 to 180, which comprises the condensed consolidated statement of financial position as at 30 June 2018 and the related condensed consolidated statement of profit or loss, 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-month 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 this 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 this 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 is 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, 24 August 2018

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | Note | Six months ended 30 June 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) (unaudited) |
|---|---|---|---|
| **Revenue** | 5 | **95,227,944** | 78,080,930 |
| Cost of sales | | **(66,715,129)** | (58,954,206) |
| **Gross profit** | | **28,512,815** | 19,126,724 |
| Investment and other income, net | 6 | **20,064** | 1,519,774 |
| Selling and distribution costs | | **(5,260,034)** | (4,581,093) |
| Administrative expenses | | **(9,489,191)** | (6,870,839) |
| Finance costs, net | 7 | **(5,455,736)** | (5,288,019) |
| Share of profits of associates | | **886,068** | 439,273 |
| Share of profits of joint ventures | | **592** | 1,055 |
| **Profit before income tax** | 8 | **9,214,578** | 4,346,875 |
| Income tax expense | 9 | **(2,467,777)** | (1,260,866) |
| **Profit for the period** | | **6,746,801** | 3,086,009 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **3,811,676** | 1,467,108 |
| Holders of perpetual capital instruments | | **447,287** | 301,250 |
| Non-controlling interests | | **2,487,838** | 1,317,651 |
| | | **6,746,801** | 3,086,009 |
| | | ***RMB*** | *RMB* |
| **Earnings per share – basic and diluted** | 11 | **0.452** | 0.174 |

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 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| **Profit for the period** | **6,746,801** | 3,086,009 |
| **Other comprehensive (expense)/income, net of tax:** | | |
| Items that will not be reclassified to profit or loss | | |
| Actuarial loss on defined benefit obligations | **(499)** | (1,743) |
| Items that may be reclassified subsequently to profit or loss | | |
| Currency translation differences | **(25,983)** | 57,627 |
| Changes in the fair value of available-for-sale financial assets, net | **–** | 909,283 |
| Changes in the fair value of financial assets without recycling | **(6,647)** | – |
| Share of associates' other comprehensive income/(expense) | **12,288** | (4,163) |
| Share of joint ventures' other comprehensive (expense)/income | **(480)** | 206 |
| **Other comprehensive (expense)/income for the period, net of tax** | **(21,321)** | 961,210 |
| **Total comprehensive income for the period** | **6,725,480** | 4,047,219 |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | **3,802,411** | 2,303,548 |
| Holders of perpetual capital instruments | **447,287** | 301,250 |
| Non-controlling interests | **2,475,782** | 1,442,421 |
| **Total comprehensive income for the period** | **6,725,480** | 4,047,219 |

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 30 JUNE 2018*

| | Note | 30 June 2018 RMB'000 (unaudited) | 31 December 2017 RMB'000 (restated) (unaudited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **175,778,213** | 176,473,530 |
| Prepaid lease payments | | **19,665,954** | 19,344,681 |
| Investment properties | | **850,708** | 831,580 |
| Goodwill | 13 | **46,055,906** | 46,068,583 |
| Intangible assets | | **9,032,625** | 8,960,508 |
| Interests in associates | 14 | **11,981,447** | 10,502,218 |
| Interests in joint ventures | | **19,022** | 4,850 |
| Financial assets at fair value through profit or loss | 18 | **2,184,462** | – |
| Financial assets at fair value through other comprehensive income | | **9,970** | – |
| Available-for-sale financial assets | 15 | **–** | 6,681,151 |
| Deposits | 16 | **2,316,907** | 3,227,948 |
| Trade and other receivables | 17 | **4,087,768** | 2,599,083 |
| Deferred income tax assets | | **5,859,223** | 5,880,882 |
| | | **277,842,205** | 280,575,014 |
| **Current assets** | | | |
| Inventories | | **25,232,233** | 22,206,672 |
| Trade and other receivables | 17 | **113,834,448** | 107,599,304 |
| Available-for-sale financial assets | 15 | **–** | 54,500 |
| Financial assets at fair value through profit or loss | 18 | **5,003,203** | 2,887,550 |
| Amounts due from related parties | 30(b) | **5,077,635** | 5,970,401 |
| Pledged bank deposits | 19 | **10,648,625** | 11,403,070 |
| Cash and cash equivalents | | **26,121,577** | 23,374,310 |
| | | **185,917,721** | 173,495,807 |
| Assets classified as held-for-sale | 20 | **86,830** | 86,830 |
| | | **186,004,551** | 173,582,637 |

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 2018*

| | *Note* | **30 June 2018 *RMB'000* (unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 21 | **88,769,977** | 84,280,343 |
| Amounts due to related parties | 30(b) | **6,389,025** | 9,173,035 |
| Borrowings – amount due within one year | 22 | **150,825,613** | 148,139,723 |
| Obligations under finance leases | | **8,327,168** | 9,147,828 |
| Derivative financial instruments | | **38,453** | 477 |
| Employee benefits payable | 23 | **2,059** | 36,737 |
| Current income tax liabilities | | **2,969,229** | 3,025,012 |
| Financial guarantee contracts | | **56,838** | 56,838 |
| Dividends payable to non-controlling interests | | **510,976** | 310,476 |
| | | **257,889,338** | 254,170,469 |
| **Net current liabilities** | | **(71,884,787)** | (80,587,832) |
| **Total assets less current liabilities** | | **205,957,418** | 199,987,182 |
| **Non-current liabilities** | | | |
| Borrowings – amount due after one year | 22 | **66,418,368** | 61,112,697 |
| Deferred income | | **1,635,269** | 1,695,616 |
| Obligations under finance leases | | **6,150,045** | 9,016,706 |
| Employee benefits payable | 23 | **265,009** | 215,619 |
| Deferred income tax liabilities | | **2,447,286** | 3,181,213 |
| | | **76,915,977** | 75,221,851 |
| **Net assets** | | **129,041,441** | 124,765,331 |
| **Capital and reserves** | | | |
| Share capital | 24 | **8,434,771** | 5,399,026 |
| Reserves | | **59,052,513** | 58,874,579 |
| **Equity attributable to** | | | |
| Owners of the Company | | **67,487,284** | 64,273,605 |
| Holders of perpetual capital instruments | | **19,440,107** | 16,716,270 |
| Non-controlling interests | | **42,114,050** | 43,775,456 |
| **Total equity** | | **129,041,441** | 124,765,331 |

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 2018*

| | 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* | Share option 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 31 December 2017 | | | | | | | | | | | | |
| As previously reported | 5,399,026 | 4,824,481 | 1,218,462 | 3,152,532 | (54,293) | – | (144,509) | 30,845,390 | 45,241,089 | 16,716,270 | 23,422,015 | 85,379,374 |
| – Adjustment for business combination under common control *(Note 27)* | – | – | 9,657,208 | 224,397 | 1,875,221 | 410 | 33,558 | 7,241,722 | 19,032,516 | – | 20,353,441 | 39,385,957 |
| Balance at 31 December 2017, as restated (unaudited) | 5,399,026 | 4,824,481 | 10,875,670 | 3,376,929 | 1,820,928 | 410 | (110,951) | 38,087,112 | 64,273,605 | 16,716,270 | 43,775,456 | 124,765,331 |
| – Adjustment on initial application of IFRS 9 *(Note 2(b))* | – | – | – | 159,078 | (1,820,928) | – | – | 1,110,900 | (550,950) | – | 81,742 | (469,208) |
| Balance at 1 January 2018, as restated (unaudited) | 5,399,026 | 4,824,481 | 10,875,670 | 3,536,007 | – | 410 | (110,951) | 39,198,012 | 63,722,655 | 16,716,270 | 43,857,198 | 124,296,123 |
| Profit for the period | – | – | – | – | – | – | – | 3,811,676 | 3,811,676 | 447,287 | 2,487,838 | 6,746,801 |
| Other comprehensive (expenses)/income, net of tax | | | | | | | | | | | | |
| Actuarial loss on defined benefit obligations | – | – | (295) | – | – | – | – | – | (295) | – | (204) | (499) |
| Currency translation differences | – | – | – | – | – | – | (14,729) | – | (14,729) | – | (11,254) | (25,983) |
| Changes in fair value of financial assets without recycling | – | – | – | – | (6,049) | – | – | – | (6,049) | – | (598) | (6,647) |
| Share of associates' other comprehensive income | – | – | 12,288 | – | – | – | – | – | 12,288 | – | – | 12,288 |
| Share of joint ventures' other comprehensive expenses | – | – | (480) | – | – | – | – | – | (480) | – | – | (480) |
| Total comprehensive income/(expenses) for the period (unaudited) | – | – | 11,513 | – | (6,049) | – | (14,729) | 3,811,676 | 3,802,411 | 447,287 | 2,475,782 | 6,725,480 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | 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* | Share option 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* |
| Issue of shares *(Note 24)* | 3,035,745 | (3,035,745) | – | – | – | – | – | – | – | – | – | – |
| Dividends paid *(Note 10)* | – | – | – | – | – | – | – | (843,477) | (843,477) | – | – | (843,477) |
| Dividends paid to the non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | (1,425,343) | (1,425,343) |
| Disposal of subsidiaries *(Note 25(b))* | – | – | – | – | – | – | – | – | – | – | (67,599) | (67,599) |
| Contributions from non-controlling interests | – | – | – | – | – | – | – | – | – | – | 46,629 | 46,629 |
| Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries *(Note 26(a))* | – | – | 781,532 | – | – | – | – | – | 781,532 | – | (2,857,126) | (2,075,594) |
| Deemed acquisition of subsidiaries | – | – | (71,948) | – | – | – | – | – | (71,948) | – | 71,948 | – |
| Appropriation to statutory reserve | – | – | – | 166,470 | – | – | – | (166,470) | – | – | – | – |
| Deregistration of a subsidiary | – | – | (1,893) | – | – | – | – | – | (1,893) | – | 5,211 | 3,318 |
| Interest paid on perpetual capital instruments | – | – | – | – | – | – | – | – | – | (5,096) | – | (5,096) |
| Issue of perpetual capital instruments, net of issuance cost | – | – | – | – | – | – | – | – | – | 2,281,646 | – | 2,281,646 |
| Share of associates' reserve | – | – | 7,378 | – | – | – | – | – | 7,378 | – | – | 7,378 |
| Recognition of equity-settled share-based payments | – | – | – | – | – | 2,461 | – | – | 2,461 | – | 3,739 | 6,200 |
| Others | – | – | 89,165 | – | – | – | – | (1,000) | 88,165 | – | 3,611 | 91,776 |
| Balance at 30 June 2018 (unaudited) | 8,434,771 | 1,788,736 | 11,691,417 | 3,702,477 | (6,049) | 2,871 | (125,680) | 41,998,741 | 67,487,284 | 19,440,107 | 42,114,050 | 129,041,441 |

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 2017*

| | 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 2017 | | | | | | | | | | | |
| As previous reported | 5,399,026 | 4,824,481 | 1,211,629 | 2,912,209 | (447,161) | (160,192) | 28,093,069 | 41,833,061 | 12,003,686 | 21,706,928 | 75,543,675 |
| – Adjustment for business combination under common control | – | 3,311,048 | 6,251,038 | 220,994 | 1,503,287 | 22,183 | 5,637,791 | 16,946,341 | – | 19,121,315 | 36,067,656 |
| Balance at 1 January 2017, as restated (unaudited) | 5,399,026 | 8,135,529 | 7,462,667 | 3,133,203 | 1,056,126 | (138,009) | 33,730,860 | 58,779,402 | 12,003,686 | 40,828,243 | 111,611,331 |
| Profit for the period | – | – | – | – | – | – | 1,467,108 | 1,467,108 | 301,250 | 1,317,651 | 3,086,009 |
| Other comprehensive (expenses)/ income, net of tax | | | | | | | | | | | |
| Actuarial loss on defined benefit obligations | – | – | (409) | – | – | – | – | (409) | – | (1,334) | (1,743) |
| Currency translation differences | – | – | – | – | – | 25,860 | – | 25,860 | – | 31,767 | 57,627 |
| Changes in fair value of available-for-sale financial assets, net | – | – | – | – | 815,028 | – | – | 815,028 | – | 94,255 | 909,283 |
| Share of associates' other comprehensive expenses | – | – | (4,163) | – | – | – | – | (4,163) | – | – | (4,163) |
| Share of join ventures' other comprehensive income | – | – | 124 | – | – | – | – | 124 | – | 82 | 206 |
| Total comprehensive (expenses)/ income for the period (restated and unaudited) | – | – | (4,448) | – | 815,028 | 25,860 | 1,467,108 | 2,303,548 | 301,250 | 1,442,421 | 4,047,219 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

| | 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* |
| Dividends paid *(Note 10)* | – | – | – | – | – | – | (339,302) | (339,302) | – | – | (339,302) |
| Dividends paid to the non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | (572,931) | (572,931) |
| Increase in non-controlling interests as a result of acquisition of subsidiaries *(Note 25(a))* | – | – | – | – | – | – | – | – | – | 32,216 | 32,216 |
| Disposal of subsidiaries *(Note 25(b))* | – | – | – | – | – | – | – | – | – | 36 | 36 |
| Contributions from non-controlling interests | – | – | – | – | – | – | – | – | – | 40,848 | 40,848 |
| Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries *(Note 26(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 | – | – | (7,189) | – | – | – | – | (7,189) | – | 7,071 | (118) |
| Appropriation to statutory reserve | – | – | – | 18,482 | – | – | (18,482) | – | – | – | – |
| Deregistration of subsidiaries | – | – | – | – | – | – | – | – | – | (4,001) | (4,001) |
| Others | – | – | 21,686 | – | – | – | (100) | 21,586 | – | 2,329 | 23,915 |
| Balance at 30 June 2017 (restated and unaudited) | 5,399,026 | 8,135,529 | 7,492,141 | 3,151,685 | 1,871,154 | (112,149) | 34,840,084 | 60,777,470 | 12,304,936 | 41,757,107 | 114,839,513 |

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 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Net cash generated from operating activities | **15,806,856** | 8,461,791 |
| Investing activities | | |
| Purchases of property, plant and equipment | **(6,945,378)** | (7,088,996) |
| Purchases of intangible assets | **(440,091)** | (334,284) |
| Proceeds from acquisition of subsidiaries, net of cash and cash equivalents acquired | **–** | 1,923 |
| Payments for acquisition of interests in associates | **(71,021)** | (46,378) |
| Deposits paid | **(2,316,907)** | (4,010,677) |
| Net cash (outflow)/inflow from disposal of subsidiaries | **(7,938)** | 14,657 |
| Payments for acquisition of additional interests in subsidiaries | **(2,075,594)** | (23,000) |
| Other investing cash flows, net | **1,385,075** | 5,428,910 |
| Net cash used in investing activities | **(10,471,854)** | (6,057,845) |
| Financing activities | | |
| Interest paid | **(5,822,406)** | (5,342,010) |
| Dividends paid to shareholders | **(843,477)** | (232,158) |
| Dividends paid to the non-controlling interests of subsidiaries | **(1,221,753)** | (330,923) |
| Repayment of borrowings | **(97,994,596)** | (90,182,794) |
| New borrowings raised | **106,109,157** | 98,706,737 |
| Other financing cash flows, net | **(2,669,909)** | (1,305,837) |
| Net cash (used in)/generated from financing activities | **(2,442,984)** | 1,313,015 |
| Net increase in cash and cash equivalents | **2,892,018** | 3,716,961 |
| Cash and cash equivalents at 1 January | **23,374,310** | 25,880,350 |
| Effect of foreign exchange rate changes | **(144,751)** | (29,933) |
| Cash and cash equivalents at 30 June | **26,121,577** | 29,567,378 |

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 2018*

## 1. GENERAL INFORMATION

China National Building Material Company Limited (the "Company" or "CNBM") 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. (the "Parent"), 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 fiber 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 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 2018 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 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

Other than the adoption of new and amendments to IFRS, as mentioned in Note 2(b), 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 2017.

### (a) Business combination under common control

On 8 September 2017, the Company and China National Materials Company Limited ("Sinoma") entered into a merger agreement, pursuant to which Sinoma is to be merged into and absorbed by the Company by way of absorption and a share-exchange; and in accordance with the PRC Company Law and other applicable PRC laws (the "Merger"). The Exchange Ratio is 1.00 Sinoma Share to exchange for 0.85 CNBM Share, meaning that CNBM will issue: (i) 0.85 CNBM H Share to exchange for 1.00 Sinoma H Share; and (ii) 0.85 CNBM Unlisted Share (comprising CNBM Domestic Shares and (if issued) the CNBM Unlisted Foreign Shares) to exchange for 1.00 Sinoma Unlisted Share. The Merger has been completed on 2 May 2018.

As Sinoma and the Company are controlled by the Parent, the Merger has been accounted for based on the principles of merger accounting.

On 11 April 2018, Zhejiang South Cement Company Limited (浙江南方水泥有限公司) ("Zhejiang South Cement") (an indirect subsidiary of the Company) and Zhejiang Sanshi Group Limited Company (浙江三獅集團有限公司) ("Sanshi Group") (a 100% indirect subsidiary of the Parent), being shareholders of Zhejiang Sanshi South New Material Company Limited (浙江三獅南方新材料有限公司)("Sanshi South") (a company 50% indirectly held by the Company and 50% directly held by the Sanshi Group and whose accounts are consolidated with the Parent), entered into a capital contribution agreement (the "Capital Contribution Agreement"), pursuant to which Zhejiang South Cement has agreed to make a capital contribution to Sanshi South in cash. As a result of the capital contribution from Zhejiang South Cement to the Sanshi South, the shareholding in Sanshi South held by Zhejiang South Cement has increased from 50% to 90% (the "deemed acquisition") and Sanshi South 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 2018*

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

#### (a) Business combination under common control (continued)

As Sanshi Group and the Company are controlled by the Parent, the deemed acquisition has been accounted for based on the principles of merge 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 throughout the periods presented. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 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 27 to the condensed consolidated interim financial information.

In addition, to align the accounting policies of the Group and the entities acquired that accounted for as business combination under common control, the accounting policies newly applied are set out as below:

**(i) Retirement benefits costs and termination benefits**

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (i) Retirement benefits costs and termination benefits (continued)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and return on plan assets (excluding interest), is reflected immediately in the condensed consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in capital reserve and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (i) Retirement benefits costs and termination benefits (continued)

Defined benefit costs are categorised as follows: (continued)

The retirement benefit obligation recognised in the condensed consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (ii) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (iii) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (iii) Investments in associates and joint ventures (continued)

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (iii) Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (iii) Investments in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### (iv) Share-based payment arrangements

*Equity-settled share-based payment transactions*

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (a) Business combination under common control (continued)

#### (iv) Share-based payment arrangements (continued)

*Equity-settled share-based payment transactions (continued)*

Share options granted to employees (continued)

At the end of each reporting period, the Group revises its estimate of the number of share options expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date. The amount previously recognised in share options reserve will be transferred to retained earnings.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) 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 2018:

| | |
|---|---|
| IFRS 9 | Financial Instruments |
| IFRS 15 | Revenue from Contracts with Customers |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to IAS 28 | As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle |
| Amendments to IAS 40 | Transfers of Investment Property |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts |
| Amendments to IFRS 15 | Clarifications to IFRS 15 Revenue from Contracts with Customers |

The Group had to change its accounting policies as a result of adoption "IFRS 9 Financial Instruments" and "IFRS 15 Revenue from Contracts with Customers". The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

**(i) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers**

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS18 Revenue, IAS 11 Construction Contracts and the related interpretations.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

#### (b) New and amended standards adopted by the Group (Continued)

**(i) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)**

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings/accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

*Key changes in accounting policies resulting from application of IFRS 15*

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (i) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

*Key changes in accounting policies resulting from application of IFRS 15 (continued)*

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (i) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

*Key changes in accounting policies resulting from application of IFRS 15 (continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

*Summary of effects from initial application of IFRS 15*

Sale of goods

The revenue of the Group from sale of goods is recognised at a point in time. Under the transfer-of-control approach in IFRS 15, revenue from sales of cement, concrete, glass fiber, composite and lightweight building materials is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the goods, which also represented the point of time when goods delivered. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Provision of engineering services

The revenue of the Group from provision of engineering services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (i) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

*Summary of effects arising from initial application of IFRS 15 (continued)*

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | *Notes* | **Balance at 31 December 2017, as restated** *RMB'000* (unaudited) | **Reclassification** *RMB'000* (unaudited) | **Carrying amounts under IFRS 15 at 1 January 2018** *RMB'000* (unaudited) |
|---|---|---|---|---|
| **Current assets** | | | | |
| Trade and other receivables | | | | |
| – Contract assets | (a) | – | 6,082,899 | 6,082,899 |
| – Amounts due from customers for contract work | (a) | 6,082,899 | (6,082,899) | – |
| **Current liabilities** | | | | |
| Trade and other payables | | | | |
| – Contract liabilities | (a), (b) | – | 9,987,394 | 9,987,394 |
| – Amounts due to customers for contract work | (a) | 2,774,074 | (2,774,074) | – |
| – Other payables | (b) | 30,108,318 | (7,213,320) | 22,894,998 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

**(i) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)**

*Summary of effects arising from initial application of IFRS 15 (continued)*

(a) In relation to engineering services contracts previously accounted under IAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. RMB6,082.90 million of amounts due from customers for contract work and RMB2,774.07 million of amounts due to customers for contract work were reclassified to contract assets and contract liabilities, respectively.

(b) As at 1 January 2018, RMB7,213.32 million of advances from customers previously included in other payables were reclassified to contract liabilities.

The following tables summarise the impact of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included. There is no impact of applying IFRS 15 on the condensed consolidated statement of profit or loss and condensed consolidated statement of other comprehensive income for the current interim period.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (i) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

*Summary of effects arising from initial application of IFRS 15 (continued)*

| | As reported *RMB'000* (unaudited) | Adjustment *RMB'000* (unaudited) | Amount without adoption of IFRS 15 *RMB'000* (unaudited) |
|---|---|---|---|
| **Current assets** | | | |
| Trade and other receivables | | | |
| – Contract assets | 9,277,726 | (9,277,726) | – |
| – Amounts due from customers for contract works | – | 9,277,726 | 9,277,726 |
| **Current liabilities** | | | |
| Trade and other payables | | | |
| – Contract liabilities | 16,410,086 | (16,410,086) | – |
| – Amounts due to customers for contract works | – | 2,603,195 | 2,603,195 |
| – Other payables | 15,351,399 | 13,806,891 | 29,158,290 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

*Key changes in accounting policies resulting from application of IFRS 9*

(i) Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(i) Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

#### (b) New and amended standards adopted by the Group (continued)

**(ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)**

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(i) Classification and measurement of financial assets (continued)

*Equity instruments designated as FVTOCI*

At the date of initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve; and are subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment and other income" line item in profit or loss.

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(i) Classification and measurement of financial assets (continued)

*Financial assets at FVTPL (continued)*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “investment and other income” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2(b)(ii)(iii).

(ii) Impairment under Expected Credit Loss (“ECL”) model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9, including trade receivables, other receivables, contract assets, amounts due from related parties and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(ii) Impairment under Expected Credit Loss ("ECL") model (continued)

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

#### (b) New and amended standards adopted by the Group (continued)

**(ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)**

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(ii) Impairment under Expected Credit Loss ("ECL") model (continued)

*Significant increase in credit risk (continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(ii) Impairment under Expected Credit Loss ("ECL") model (continued)

*Significant increase in credit risk (continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(ii) Impairment under Expected Credit Loss ("ECL") model (continued)

*Measurement and recognition of ECL (continued)*

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in 2(b)(ii)(iii).

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(iii) Summary of effects arising from initial application of IFRS 9

The table below illustrates major changes and impacts on the classification and measurement (including impairment) of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

| | Note | Available-for sale financial assets RMB'000 | Trade and other receivables RMB'000 | Financial assets at FVTPL required by IAS39/IFRS9 RMB'000 | Deferred income tax assets RMB'000 | Statutory surplus reserve fund RMB'000 | Fair value reserve RMB'000 | Retained earnings RMB'000 | Non-controlling interests RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2017, as restated (unaudited) – IAS 39** | | 6,735,651 | 110,198,387 | 2,887,550 | 5,880,882 | 3,376,929 | 1,820,928 | 38,087,112 | 43,775,456 |
| **Effect arising from initial application of IFRS 9:** | | | | | | | | | |
| Reclassification from available-for sale financial assets | (a) | (6,735,651) | – | 6,735,170 | – | 159,078 | (1,820,928) | 1,666,949 | (5,580) |
| Remeasurement of impairment under ECL model | (b) | – | (588,573) | – | 119,846 | – | – | (556,049) | 87,322 |
| **Balance at 1 January 2018, as restated (unaudited)** | | – | 109,609,814 | 9,622,720 | 6,000,728 | 3,536,007 | – | 39,198,012 | 43,857,198 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(iii) Summary of effects arising from initial application of IFRS 9 (continued)

*Notes*:

(a) From available-for-sale equity investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB6,735.65 million were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value losses of RMB0.48 million relating to those equity investments of RMB1,359.60 million previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at 1 January 2018. The fair value gains of RMB1,820.93 million relating to those investments previously carried at fair value were transferred from fair value reserve to retained earnings.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost, which mainly comprise of amounts due from related parties and bank balances, were measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (ii) Impacts and changes in accounting policies of application on IFRS 9 Financial instruments (continued)

*Key changes in accounting policies resulting from application of IFRS 9 (continued)*

(iii) Summary of effects arising from initial application of IFRS 9 (continued)

*Notes*: (continued)

(b) Impairment under ECL model (continued)

As at 1 January 2018, the additional credit loss allowance of RMB588.57 million has been recognised against retained earnings and non-controlling interest. The additional loss allowance is mainly charged against trade and other receivables while impact to other financial assets are not significant. All loss allowances for financial assets as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

| | Trade and other receivables – loss allowance *RMB'000* |
|---|---|
| Loss allowance at 31 December 2017 under IAS39, as restated (unaudited) | 8,553,172 |
| Amounts remeasured through opening equity | 588,573 |
| Loss allowance at 1 January 2018 under IFRS 9, as restated (unaudited) | 9,141,745 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (iii) Summary of the effect of the above changes in accounting policy

As a result of the changes in the Group's accounting policies, IFRS 9 and IFRS 15 were generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments are therefore not reflected in the restated condensed consolidated statement of financial position as at 31 December 2017, but are recognised in the condensed consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item on condensed consolidated statements of financial position. The adjustments are explained in more detail by standard above.

| | Balance at 31 December 2017 (restated) (unaudited) *RMB'000* | IFRS 15 *RMB'000* | IFRS 9 *RMB'000* | **Balance at 1 January 2018 (restated) (unaudited)** ***RMB'000*** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Available-for-sale financial assets | 6,681,151 | – | (6,681,151) | **–** |
| Financial assets at fair value through profit or loss | – | – | 6,680,670 | **6,680,670** |
| Deferred income tax assets | 5,880,882 | – | 119,846 | **6,000,728** |
| Other non-current assets | 268,012,981 | – | – | **268,012,981** |
| | 280,575,014 | – | 119,365 | **280,694,379** |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (iii) Summary of the effect of the above changes in accounting policy (continued)

| | Balance at 31 December 2017 (restated) (unaudited) *RMB'000* | IFRS 15 *RMB'000* | IFRS 9 *RMB'000* | **Balance at 1 January 2018 (restated) (unaudited)** ***RMB'000*** |
|---|---|---|---|---|
| **Current assets** | | | | |
| Trade and other receivables | | | | |
| – Trade receivables | 42,053,751 | – | (588,573) | **41,465,178** |
| – Amounts due from customers for contract work | 6,082,899 | (6,082,899) | – | **–** |
| – Contract assets | – | 6,082,899 | – | **6,082,899** |
| – Others | 59,462,654 | – | – | **59,462,654** |
| Available-for-sale financial assets | 54,500 | – | (54,500) | **–** |
| Financial assets at fair value through profit or loss | 2,887,550 | – | 54,500 | **2,942,050** |
| Other current assets | 63,041,283 | – | – | **63,041,283** |
| | 173,582,637 | – | (588,573) | **172,994,064** |
| **Current liabilities** | | | | |
| Trade and other payables | | | | |
| – Amounts due to customers for contract work | 2,774,074 | (2,774,074) | – | **–** |
| – Contract liabilities | – | 9,987,394 | – | **9,987,394** |
| – Other payables | 30,108,318 | (7,213,320) | – | **22,894,998** |
| – Others | 51,397,951 | – | – | **51,397,951** |
| Other current liabilities | 169,890,126 | – | – | **169,890,126** |
| | 254,170,469 | – | – | **254,170,469** |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (b) New and amended standards adopted by the Group (continued)

#### (iii) Summary of the effect of the above changes in accounting policy (continued)

| | Balance at 31 December 2017 (restated) (unaudited) *RMB'000* | IFRS 15 *RMB'000* | IFRS 9 *RMB'000* | **Balance at 1 January 2018 (restated) (unaudited)** ***RMB'000*** |
|---|---|---|---|---|
| **Net current liabilities** | (80,587,832) | – | (588,573) | **(81,176,405)** |
| **Total assets less current liabilities** | 199,987,182 | – | (469,208) | **199,517,974** |
| **Non-current liabilities** | 75,221,851 | – | – | **75,221,851** |
| **Net assets** | 124,765,331 | – | (469,208) | **124,296,123** |
| **Capital and reserves** | | | | |
| Share capital | 5,399,026 | – | – | **5,399,026** |
| Reserves | 58,874,579 | – | (550,950) | **58,323,629** |
| **Equity attributable to** | | | | |
| Owners of the Company | 64,273,605 | – | (550,950) | **63,722,655** |
| Holders of perpetual capital instruments | 16,716,270 | – | – | **16,716,270** |
| Non-controlling interests | 43,775,456 | – | 81,742 | **43,857,198** |
| **Total equity** | 124,765,331 | – | (469,208) | **124,296,123** |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### (c) 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 2018, and have not been early adopted by the Group:

| | |
|---|---|
| IFRS 16 | Leases[1] |
| IFRS 17 | Insurance Contracts[3] |
| IFRS 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |

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

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

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

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 2017.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 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 2017.

There have been no changes in the risk management policies during the current period.

### 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)

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 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 liabilities that are measured at fair value at 30 June 2018:

| | Level 1<br>*RMB'000* | Level 2<br>*RMB'000* | Level 3<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | 5,142,275 | 1,417 | 2,043,973 | 7,187,665 |
| Financial assets at fair value through other comprehensive income | 9,970 | – | – | 9,970 |
| **Total assets (unaudited)** | 5,152,245 | 1,417 | 2,043,973 | 7,197,635 |
| **Liabilities** | | | | |
| Derivative financial instruments | – | 38,453 | – | 38,453 |
| Financial guarantee contracts | – | – | 56,838 | 56,838 |
| **Total liabilities (unaudited)** | – | 38,453 | 56,838 | 95,291 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 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 2017:

| | Level 1<br>*RMB'000*<br>(Restated) | Level 2<br>*RMB'000*<br>(Restated) | Level 3<br>*RMB'000*<br>(Restated) | Total<br>*RMB'000*<br>(Restated) |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale financial assets | 4,643,825 | – | 732,228 | 5,376,053 |
| Financial assets at fair value through profit or loss | 1,704,102 | – | 1,183,448 | 2,887,550 |
| **Total assets (unaudited)** | 6,347,927 | – | 1,915,676 | 8,263,603 |
| **Liability** | | | | |
| Derivative financial instruments | – | 477 | – | 477 |
| Financial guarantee contracts | – | – | 56,838 | 56,838 |
| **Total liability (unaudited)** | – | 477 | 56,838 | 57,315 |

During the six months ended 30 June 2018, there were no significant transfers between levels of the financial assets and financial liabilities.

During the six months ended 30 June 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

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 2018*

### 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:*

| | Fair value as at | | | |
|---|---|---|---|---|
| **Financial assets** | **30 June 2018** | **31 December 2017** | **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: RMB743,565,000 | Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,183,448,000 | Discounted cash flows<br><br>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<br><br>The higher the expected yield, the higher the fair value |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 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)*

| | Fair value as at | | | |
|---|---|---|---|---|
| **Financial assets** | **30 June 2018** | **31 December 2017** | **Valuation technique(s) and key input(s)** | **Relationship of unobservable inputs to Fair value** |
| Listed equity shares classified as financial assets at fair value through profit or loss (31 December 2017: available-for-sale financial assets) | N/A | 16.67 per cent equity shares (563,190,040 shares) in China Shanshui Cement Group Limited (Shanshui Cement), amounted to RMB732,228,000 | Market approach listed company comparison method<br><br>Key unobservable inputs are: Specific risk adjustment coefficient (Rc) of 33%, taking into account Shanshui Cement's recent operating situation | The higher the Specific risk adjustment coefficient, the lower the fair value |
| Unlisted equity shares classified as financial assets at fair value through profit or loss (31 December 2017: available-for-sale financial assets) | Unlisted equity shares, amounts of RMB1,300,408,000 | N/A | Net assets value key unobservable inputs is: Discount rate of 10% | The higher the discount rate, the lower 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 structured deposits was significant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

The directors consider 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 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 2018*

## 5. SEGMENT INFORMATION

For management purposes, the Group is currently organised into five major operating divisions during the period – cement, concrete, new 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 |
| New materials | – | Production and sale of glass fiber, composite and light building 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 2018 and year ended 31 December 2017.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 5. SEGMENT INFORMATION (CONTINUED)

### (a) For the six months ended 30 June 2018:

The segment results for the six months ended 30 June 2018 are as follows:

| | Cement *RMB'000* | Concrete *RMB'000* | New materials *RMB'000* | Engineering services *RMB'000* | Others *RMB'000* | Eliminations *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | |
| External sales | | | | | | | |
| At a point of time | 50,385,025 | 17,915,048 | 11,287,361 | – | 834,785 | – | 80,422,219 |
| Over time | – | – | – | 14,805,725 | – | – | 14,805,725 |
| | 50,385,025 | 17,915,048 | 11,287,361 | 14,805,725 | 834,785 | – | 95,227,944 |
| Inter-segment sales *(Note)* | 2,702,210 | – | 572,839 | 603,498 | 458,952 | (4,337,499) | – |
| | 53,087,235 | 17,915,048 | 11,860,200 | 15,409,223 | 1,293,737 | (4,337,499) | 95,227,944 |
| **Adjusted EBITDA (unaudited)** | **14,184,424** | **1,982,668** | **3,073,593** | **1,696,418** | **(348,541)** | **–** | **20,588,562** |
| Depreciation and amortisation | (4,798,239) | (467,858) | (749,857) | (273,006) | (61,926) | – | (6,350,886) |
| Unallocated other expenses, net | | | | | | | (321,346) |
| Unallocated administrative expenses | | | | | | | (132,676) |
| Share of profits of associates | 482,472 | – | 6,131 | 1,761 | 395,704 | – | 886,068 |
| Share of profits of joint ventures | – | – | 592 | – | – | – | 592 |
| Finance costs, net | (3,599,883) | (1,017,912) | (231,789) | (204,704) | (165,861) | – | (5,220,149) |
| Unallocated finance costs, net | | | | | | | (235,587) |
| Profit before income tax | | | | | | | 9,214,578 |
| Income tax expense | | | | | | | (2,467,777) |
| **Profit for the period (unaudited)** | | | | | | | **6,746,801** |

*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 2018*

### 5. SEGMENT INFORMATION (CONTINUED)

#### (a) For the six months ended 30 June 2018: (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 of associates, share of profits of joint ventures 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 2018:

The segment assets and liabilities as at 30 June 2018 are as follows:

| | Cement<br>*RMB'000* | Concrete<br>*RMB'000* | New materials<br>*RMB'000* | Engineering services<br>*RMB'000* | Others<br>*RMB'000* | Eliminations<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Segment assets | 251,833,018 | 51,733,391 | 45,461,677 | 49,488,181 | 6,480,286 | – | 404,996,553 |
| Interests in associates | 5,909,968 | – | 4,513,368 | 69,801 | 1,488,310 | – | 11,981,447 |
| Interests in joint ventures | 10,260 | – | 8,762 | – | – | – | 19,022 |
| Unallocated assets | | | | | | | 46,849,734 |
| **Total consolidated assets (unaudited)** | | | | | | | 463,846,756 |
| **LIABILITIES** | | | | | | | |
| Segment liabilities | (153,203,073) | (16,339,954) | (20,410,353) | (42,608,270) | (8,715,648) | – | (241,277,298) |
| Unallocated liabilities | | | | | | | (93,528,017) |
| **Total consolidated liabilities (unaudited)** | | | | | | | (334,805,315) |

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 2018*

### 5. SEGMENT INFORMATION (CONTINUED)

#### (c) For the six months ended 30 June 2017:

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

| | Cement *RMB'000* (restated) | Concrete *RMB'000* (restated) | New materials *RMB'000* (restated) | Engineering services *RMB'000* (restated) | Others *RMB'000* (restated) | Eliminations *RMB'000* (restated) | Total *RMB'000* (restated) |
|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | |
| External sales | | | | | | | |
| At a point of time | 41,247,145 | 12,855,998 | 10,233,151 | – | 659,802 | – | 64,996,096 |
| Over time | – | – | – | 13,084,834 | – | – | 13,084,834 |
| | 41,247,145 | 12,855,998 | 10,233,151 | 13,084,834 | 659,802 | – | 78,080,930 |
| Inter-segment sales *(Note)* | 2,640,459 | – | 2,739 | 182,774 | 444,944 | (3,270,916) | – |
| | 43,887,604 | 12,855,998 | 10,235,890 | 13,267,608 | 1,104,746 | (3,270,916) | 78,080,930 |
| **Adjusted EBITDA (unaudited)** | 10,296,518 | 1,153,582 | 2,351,399 | 1,474,680 | 79,158 | – | 15,355,337 |
| Depreciation and amortisation | (4,358,699) | (450,810) | (831,732) | (298,309) | (53,522) | – | (5,993,072) |
| Unallocated other expenses, net | | | | | | | (10,363) |
| Unallocated administrative expenses | | | | | | | (157,336) |
| Share of profits/(losses) of associates | 121,155 | – | 1,490 | (254) | 316,882 | – | 439,273 |
| Share of profits of joint ventures | – | – | 1,055 | – | – | – | 1,055 |
| Finance costs, net | (3,903,415) | (671,217) | (209,823) | (217,413) | (306,578) | – | (5,308,446) |
| Unallocated finance incomes, net | | | | | | | 20,427 |
| Profit before income tax | | | | | | | 4,346,875 |
| Income tax expense | | | | | | | (1,260,866) |
| **Profit for the period (unaudited)** | | | | | | | 3,086,009 |

*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 2018*

## 5. SEGMENT INFORMATION (CONTINUED)

### (c) 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 income, central administration costs, net finance costs, share of profits/(losses) of associates, share of profits of joint ventures 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 2017:

The segment assets and liabilities as at 31 December 2017 are as follows:

| | Cement | Concrete | New materials | Engineering services | Others | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **ASSETS** | | | | | | | |
| Segment assets | 253,676,656 | 49,449,849 | 43,567,149 | 41,116,574 | 6,576,962 | – | 394,387,190 |
| Interests in associates | 5,510,284 | – | 4,305,467 | 16,280 | 670,187 | – | 10,502,218 |
| Interests in joint ventures | – | – | 4,850 | – | – | – | 4,850 |
| Unallocated assets | | | | | | | 49,263,393 |
| **Total consolidated assets (restated and unaudited)** | | | | | | | 454,157,651 |
| **LIABILITIES** | | | | | | | |
| Segment liabilities | (153,017,295) | (16,734,408) | (20,960,350) | (38,994,627) | (15,015,485) | – | (244,722,165) |
| Unallocated liabilities | | | | | | | (84,670,155) |
| **Total consolidated liabilities (restated and unaudited)** | | | | | | | (329,392,320) |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Adjusted EBITDA for reportable segments | **20,937,103** | 15,276,179 |
| Adjusted EBITDA for other segment | **(348,541)** | 79,158 |
| Total segments profit | **20,588,562** | 15,355,337 |
| Depreciation of property, plant and equipment, and amortisation of intangible assets and prepaid lease payments | **(6,350,886)** | (5,993,072) |
| Corporate items | **(454,022)** | (167,699) |
| Operating profit | **13,783,654** | 9,194,566 |
| Finance costs, net | **(5,455,736)** | (5,288,019) |
| Share of profits of associates | **886,068** | 439,273 |
| Share of profits of joint ventures | **592** | 1,055 |
| Profit before income tax | **9,214,578** | 4,346,875 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 6. INVESTMENT AND OTHER INCOME, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| (Decrease)/increase in fair value of financial assets at fair value through profit or loss | **(1,210,215)** | 49,535 |
| (Increase)/decrease in fair value of derivative financial instruments | **(37,976)** | 2,258 |
| Government subsidies: | | |
| – VAT refunds *(Note (a))* | **557,905** | 385,006 |
| – Government grants *(Note (b))* | **253,734** | 456,239 |
| – Interest subsidy | **43,081** | 1,999 |
| Net rental income | **119,091** | 90,271 |
| Gain on disposal of other investments | **1,775** | 6,874 |
| Gain on disposal of interests in associates | **–** | 92,194 |
| Gain on disposal of subsidiaries, net *(Note 25(b))* | **–** | 58,400 |
| Fair value losses on remeasurement of interests in associates *(Note 25(b))* | **(9,960)** | – |
| Claims received | **29,222** | 20,634 |
| Waiver of payables | **23,880** | 56,037 |
| Others | **249,527** | 300,327 |
| | **20,064** | 1,519,774 |

*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 2018*

### 7. FINANCE COSTS, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Interest expenses on bank borrowings: | | |
| – wholly repayable within five years | **3,257,220** | 3,028,072 |
| – not wholly repayable within five years | **7,299** | 7,895 |
| | **3,264,519** | 3,035,967 |
| Interest expenses on bonds, other borrowings and finance leases | **2,687,466** | 2,639,749 |
| Less: interest capitalised to construction in progress | **(129,579)** | (106,983) |
| | **5,822,406** | 5,568,733 |
| Interest income: | | |
| – interest on bank deposits | **(234,178)** | (199,108) |
| – interest on loan receivables | **(132,492)** | (81,606) |
| | **(366,670)** | (280,714) |
| Finance costs, net | **5,455,736** | 5,288,019 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 8. PROFIT BEFORE INCOME TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Depreciation of property, plant and equipment, and amortisation of intangible assets and prepaid lease payments | **6,384,276** | 6,018,023 |
| Depreciation of investment properties | **16,124** | 16,658 |
| Allowance for impairment in respect of trade and other receivables | **1,436,064** | 214,386 |
| Staff costs | **7,922,672** | 7,244,483 |
| (Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net | **(15,017)** | 81,584 |
| Net foreign exchange losses | **329,753** | 119,971 |

### 9. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Current income tax | **3,060,208** | 1,472,169 |
| Deferred income tax | **(592,431)** | (211,303) |
| | **2,467,777** | 1,260,866 |

PRC income tax is calculated at 25% (2017: 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% (2017: 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 2018 and 2017 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 2018*

### 10. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Dividends paid | | |
| RMB0.1 (2017: RMB0.043) per share by the Company | **843,477** | 232,158 |
| RMB Nil (2017: RMB0.03) per share by Sinoma | **–** | 107,144 |
| | **843,477** | 339,302 |

During the period, dividend amounting to approximately RMB843.48 million (six months ended 30 June 2017: approximately RMB339.30 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 2018.

### 11. EARNINGS PER SHARE

The weighted average number of shares for the purpose of basic and diluted earnings per share for the period ended 30 June 2018 and 2017 has taken into account the issue of 2,944,744,400 new shares in exchange of the entire equity interest in Sinoma arising from the merger of Sinoma.

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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Profit attributable to owners of the Company | **3,811,676** | 1,467,108 |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***'000*** | *'000* |
| | **(unaudited)** | (unaudited) |
| Weighted average number of ordinary shares in issue | **8,434,771** | 8,434,771 |

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 2018*

## 12. PROPERTY, PLANT AND EQUIPMENT

### Six months ended 30 June 2018

| | 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 2018 | | | | | |
| As previously reported | 9,553,230 | 65,453,289 | 53,506,675 | 2,998,455 | 131,511,649 |
| Business combination under common control *(Note (27))* | 2,326,246 | 20,886,328 | 21,156,737 | 592,570 | 44,961,881 |
| As restated | 11,879,476 | 86,339,617 | 74,663,412 | 3,591,025 | 176,473,530 |
| Additions | 5,475,023 | 846,972 | 459,913 | 163,470 | 6,945,378 |
| Transfer from construction in progress | (3,248,174) | 1,639,150 | 1,605,445 | 3,579 | – |
| Transfer to construction in progress for reconstruction | 13,462 | (5,280) | (8,182) | – | – |
| Transfer from investment properties | – | 4,038 | – | – | 4,038 |
| Transfer to investment properties | – | (10,746) | – | – | (10,746) |
| Disposals | (685,975) | (175,512) | (104,589) | (97,619) | (1,063,695) |
| Disposals of subsidiaries (*Note 25(b)*) | (51) | (124,710) | (67,144) | (821) | (192,726) |
| Depreciation and impairment | (15,416) | (2,010,497) | (3,957,731) | (393,922) | (6,377,566) |
| Net book value as at 30 June 2018 (unaudited) | 13,418,345 | 86,503,032 | 72,591,124 | 3,265,712 | 175,778,213 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

### Year ended 31 December 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 | | | | | |
| As previously stated | 7,835,156 | 63,246,494 | 54,664,165 | 3,349,915 | 129,095,730 |
| Business combination under common control | 1,865,483 | 20,884,372 | 21,760,690 | 708,937 | 45,219,482 |
| As restated | 9,700,639 | 84,130,866 | 76,424,855 | 4,058,852 | 174,315,212 |
| Additions | 10,614,025 | 1,390,947 | 1,349,925 | 238,742 | 13,593,639 |
| Acquisition of subsidiaries | 125,496 | 1,074,446 | 951,245 | 170,619 | 2,321,806 |
| Transfer from construction in progress | (8,085,217) | 3,489,189 | 4,529,290 | 66,738 | – |
| Transfer to construction in progress for reconstruction | 203,344 | (79,060) | (123,846) | (438) | – |
| Transfer from investment properties | – | 40,886 | – | – | 40,886 |
| Transfer to investment properties | – | (94,185) | – | – | (94,185) |
| Disposals | (459,458) | (240,279) | (298,919) | (211,279) | (1,209,935) |
| Disposal of subsidiaries | (8,299) | (256,831) | (678,644) | (5,212) | (948,986) |
| Depreciation and impairment | (211,054) | (3,116,362) | (7,490,494) | (726,997) | (11,544,907) |
| Net book value as at 31 December 2017 (restated and unaudited) | 11,879,476 | 86,339,617 | 74,663,412 | 3,591,025 | 176,473,530 |

At the reporting date, the carrying amount of the Group's property, plant and equipment pledged to secure the bank borrowings grant to the Group is analysed as follows:

| | **30 June 2018** ***RMB'000*** **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Land and buildings | **2,520,664** | 2,399,056 |
| Plant and machinery | **8,244,519** | 10,446,894 |
| | **10,765,183** | 12,845,950 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 13. GOODWILL

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| At the beginning of the period/year | | |
| As previous reported | **44,682,354** | 42,604,255 |
| Business combination under common control | **1,386,229** | 1,535,049 |
| As restated | **46,068,583** | 44,139,304 |
| Arising from acquisition of subsidiaries | **–** | 2,388,427 |
| Deregistration of a subsidiary | **–** | (30,726) |
| Disposal | **(11,072)** | (21,600) |
| Impairment for the period/year | **–** | (438,471) |
| Exchange difference | **(1,605)** | 31,649 |
| At the end of the period/year | **46,055,906** | 46,068,583 |

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 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Cement | **35,141,906** | 35,141,906 |
| Concrete | **9,747,852** | 9,747,852 |
| New materials | **119,069** | 119,069 |
| Engineering services | **934,285** | 935,890 |
| Others | **112,794** | 123,866 |
| | **46,055,906** | 46,068,583 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 14. INTERESTS IN ASSOCIATES

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Cost of investments in associates | | |
| – listed in the PRC | **1,440,949** | 1,440,949 |
| – listed in Hong Kong | **738,534** | – |
| – unlisted | **4,649,434** | 4,464,895 |
| Share of post-acquisition profit, net of dividend received | **5,152,530** | 4,596,374 |
| | **11,981,447** | 10,502,218 |
| Fair value of listed investments | **10,538,730** | 14,909,407 |

As at 30 June 2018, the cost of investments in associates included goodwill of associates of approximately RMB732.09 million (31 December 2017: approximately RMB732.09 million).

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Available-for-sale financial assets: | | |
| – Unlisted equity shares, at cost *(Note i)* | **–** | 1,359,598 |
| – Equity shares listed in Hong Kong *(Note ii)* | **–** | 1,633,972 |
| – Equity shares listed outside Hong Kong | **–** | 3,742,081 |
| | **–** | 6,735,651 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

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

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Non-current portion | **–** | 6,681,151 |
| Current portion | **–** | 54,500 |
| | **–** | 6,735,651 |

*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 31 December 2017, the Group has pledged equity shares listed in Hong Kong with the carrying amount of approximately RMB1,527.33 million to secure bank borrowings granted to the Group.

*Note iii:* Upon adoption of IFRS 9 on 1 January 2018, the Group has reclassified the available-for-sales financial assets as financial assets at fair value through profit or loss (Note 18). On 31 December 2017, the available-for-sale financial assets with carrying amount of approximately RMB5,376.05 million was stated at fair value through other comprehensive income and RMB1,359.60 million was stated at cost less accumulated impairment losses.

### 16. DEPOSITS

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Investment deposits for acquisition of subsidiaries | **349,271** | 446,267 |
| Deposits paid to acquire property, plant and equipment | **1,731,461** | 2,501,054 |
| Deposits paid to acquire intangible assets | **95,142** | 65,323 |
| Deposits paid in respect of prepaid lease payments | **141,033** | 215,304 |
| | **2,316,907** | 3,227,948 |

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

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 17. TRADE AND OTHER RECEIVABLES

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Trade receivables, net of allowance for impairment | **52,192,018** | 44,652,834 |
| Bills receivable | **22,713,719** | 19,729,448 |
| Contract assets | **9,277,726** | – |
| Amounts due from customers for contract work | **–** | 6,082,899 |
| Prepaid lease payments | **505,401** | 576,338 |
| Other receivables, deposits and prepayments | **33,233,352** | 39,156,868 |
| | **117,922,216** | 110,198,387 |

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 based on the invoice date is as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Within two months | **9,702,636** | 10,362,867 |
| More than two months but within one year | **25,652,247** | 20,169,155 |
| Between one and two years | **8,833,921** | 7,467,409 |
| Between two and three years | **2,844,165** | 2,800,026 |
| Over three years | **5,159,049** | 3,853,377 |
| | **52,192,018** | 44,652,834 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

### Allowance for impairment

The movement in the allowance for impairment in respect of trade and other receivables during the current interim period was as follows.

| | *RMB'000* (restated) (unaudited) |
|---|---|
| Balance at 31 December 2017 | |
| At previously reported | 5,241,574 |
| Business combination under common control | 3,311,598 |
| Balance at 31 December 2017 under IAS 39, as restated | 8,553,172 |
| Adjustment on initial application of IFRS 9 | 588,573 |
| Balance at 1 January 2018 under IFRS 9 | 9,141,745 |
| Allowance for impairment recognised | 1,436,064 |
| Amount written off as uncollectible | (57,291) |
| Disposal of subsidiaries | (17,633) |
| Balance at 30 June 2018 | 10,502,885 |

As at 30 June 2018, approximately RMB450.38 million (31 December 2017: approximately RMB1,180.52 million) of the trade receivables and approximately RMB1,210.96 million (31 December 2017: approximately RMB829.30 million) of bills receivable are pledged to secure bank loans granted to the Group.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysed for reporting purposes:

| | **30 June 2018** ***RMB'000*** **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Non-current portion | **4,087,768** | 2,599,083 |
| Current portion | **113,834,448** | 107,599,304 |
| | **117,922,216** | 110,198,387 |

### 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2018** ***RMB'000*** **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Held-for-trading investments at market value: | | |
| – Investment funds listed outside Hong Kong | **–** | 295 |
| – Equity shares listed outside Hong Kong | **–** | 1,703,807 |
| – Structured deposits *(Note i)* | **–** | 1,183,448 |
| | **–** | 2,887,550 |
| Financial assets at fair value through profit or loss *(Note ii)*: | | |
| – Trading derivatives | **1,417** | – |
| – Investment funds listed outside Hong Kong | **269** | – |
| – Equity shares listed outside Hong Kong | **3,312,050** | – |
| – Equity shares listed in Hong Kong | **1,829,956** | – |
| – Structured deposits *(Note i)* | **743,565** | – |
| – Unlisted equity shares | **1,300,408** | – |
| | **7,187,665** | 2,887,550 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Analysed for reporting purposes:

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Non-current portion | **2,184,462** | – |
| Current portion | **5,003,203** | 2,887,550 |
| | **7,187,665** | 2,887,550 |

*Note i:* During the period ended 30 June 2018 and year ended 31 December 2017, the Group entered into certain investments with certain financial institutions. The investment based on respective contracts have maturity dates within 3 months.

*Note ii:* On 31 December 2017, financial assets at fair value through profit or loss represents held-for-trading investments and unlisted investments designated as at fair value through profit or loss. Upon adoption of IFRS 9 on 1 January 2018, the Group has reclassified the available-for-sales financial assets at financial assets at fair value through profit or loss.

As at 30 June 2018, approximately RMB472.34 million (31 December 2017: RMB Nil) of the financial assets at fair value through profit or loss are pledged to secure bank loans granted to the Group.

## 19. PLEDGED BANK DEPOSITS

As at 30 June 2018, the Group pledged approximately RMB10,648.63 million bank deposits (31 December 2017: approximately RMB11,403.07 million), which is denominated in RMB, to banks 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 2017: ranging from 0.30% to 3.30%) per annum.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 20. ASSETS CLASSIFIED AS HELD-FOR-SALE

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

Tianshan Cement signed the relocation compensation agreement of Cangfanggou Premise with Xinjiang Tianshan Building Materials (Group) Real Estate Development Co., Ltd., agreeing that assets in the relocation range should be delivered in six phases (i.e. 2014-2019).

As at 30 June 2018, the carrying amounts and the fair value of assets related to Cangfanggou Premise phases IV-VI (31 December 2017: phase IV-VI) which amounted to approximately RMB86.83 million (31 December 2017: RMB86.83 million) and approximately RMB396.09 million (31 December 2017: RMB396.09 million), respectively, are planned to be delivered at the end of 2018.

The major classes of assets of the Cangfanggou Premise phases IV-VI at 30 June 2018 and 31 December 2017 are property, plant and equipment.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 21. TRADE AND OTHER PAYABLES

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

| | **30 June 2018 *RMB'000* (unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Within two months | **11,499,586** | 7,501,989 |
| More than two months but within one year | **19,614,814** | 17,236,912 |
| Between one and two years | **2,897,042** | 2,877,373 |
| Between two and three years | **1,302,964** | 1,143,097 |
| Over three years | **2,371,287** | 2,037,100 |
| Trade payables | **37,685,693** | 30,796,471 |
| Bills payable | **19,322,799** | 20,601,480 |
| Contract liabilities | **16,410,086** | – |
| Amounts due to customers for contract work | **–** | 2,774,074 |
| Other payables | **15,351,399** | 30,108,318 |
| | **88,769,977** | 84,280,343 |

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 2018*

### 22. BORROWINGS

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Bank borrowings: | | |
| – Secured | **5,474,027** | 5,694,298 |
| – Unsecured | **124,326,553** | 126,279,225 |
| | **129,800,580** | 131,973,523 |
| Bonds | **85,921,001** | 75,759,013 |
| Borrowings from other financial institutions | **1,522,400** | 1,519,884 |
| | **217,243,981** | 209,252,420 |
| Analysed for reporting purposes: | | |
| Non-current portion | **66,418,368** | 61,112,697 |
| Current portion | **150,825,613** | 148,139,723 |
| | **217,243,981** | 209,252,420 |

The interest rates of the borrowings are ranging from 1% to 6.36% per annum during the period (the year ended 31 December 2017: ranging from 1% to 6.5%).

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 22. BORROWINGS (CONTINUED)

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 2018** ***RMB'000*** **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Property, plant and equipment *(Note 12)* | **10,765,183** | 12,845,950 |
| Prepaid lease payments | **466,907** | 504,824 |
| Available-for-sale financial assets *(Note 15)* | **–** | 1,527,325 |
| Financial assets at fair value through profit or loss *(Note 18)* | **472,344** | – |
| Pledged bank deposits *(Note 19)* | **10,648,625** | 11,403,070 |
| Trade receivables *(Note 17)* | **450,383** | 1,180,522 |
| Bills receivable *(Note 17)* | **1,210,962** | 829,300 |
| | **24,014,404** | 28,290,991 |

### 23. EMPLOYEE BENEFITS PAYABLE

The Group operates unfunded defined benefit plan for qualifying former employees. The Group paid supplemental pension subsidies or pension contributions to its employees in the PRC who retired prior to 31 December 2006. In addition, the Group is committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in the PRC who leave the Group after 31 December 2006.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 23. EMPLOYEE BENEFITS PAYABLE (CONTINUED)

The movements of employee benefit payable are as follows:

| | **30 June 2018** **RMB'000** **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| At the beginning of the period/year | | |
| As previously reported | **–** | – |
| Business combination under common control *(Note 27)* | **252,356** | 247,423 |
| As restated | **252,356** | 247,423 |
| Interest cost | **(1,551)** | 6,019 |
| Remeasurements: | | |
| – Adjustments for restrictions on the defined benefit asset | **(504)** | 36,794 |
| – Actuarial losses recognised in the period | **723** | 7,460 |
| – Past service cost, including losses on curtailments | **18,967** | (238) |
| Benefits paid | **(2,923)** | (45,102) |
| At the end of the period/year | **267,068** | 252,356 |

Analysed for reporting purposes:

| | **30 June 2018** **RMB'000** **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| Non-current portion | **265,009** | 215,619 |
| Current portion | **2,059** | 36,737 |
| | **267,068** | 252,356 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 24. SHARE CAPITAL

| | Domestic share *(Note (a))* | | H Shares *(Note (b))* | | Unlisted foreign shares *(Note (c))* | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Total capital |
| | | *RMB'000* | | *RMB'000* | | *RMB'000* | *RMB'000* |
| Registered and paid up shares of RMB1.0 each | | | | | | | |
| As at 1 January 2017, 31 December 2017, 1 January 2018 | 2,519,854,366 | 2,519,854 | 2,879,171,896 | 2,879,172 | – | – | 5,399,026 |
| Issuance of new shares *(Note (d))* | 1,935,044,267 | 1,935,045 | 989,525,898 | 989,526 | 111,174,235 | 111,174 | 3,035,745 |
| As at 30 June 2018 | 4,454,898,633 | 4,454,899 | 3,868,697,794 | 3,868,698 | 111,174,235 | 111,174 | 8,434,771 |

*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 listed in the Hong Kong Stock Exchange subscribed for, traded in and credited as fully paid up in HKD by persons other than PRC government and/or PRC incorporated entities only.

(c) Unlisted Foreign Shares are non-overseas listed ordinary shares subscribed for and credited as fully paid up in foreign currency by persons other than PRC government and/or PRC incorporated entities only.

(d) Pursuant to a special resolution passed at the CNBM's extraordinary general meeting, the H shareholders' class meeting of CNBM, the domestic shareholders' class meeting of CNBM, the Sinoma's extraordinary general meeting and the H Shareholders' Class meeting of Sinoma held on 6 December 2017, the Company issued 989,525,989 H Shares of RMB1.00 each, 1,935,044,267 Domestic Shares of RMB1.00 each and 111,174,235 Unlisted Foreign Shares of RMB1.00 each on 2 May 2018 in exchange for entire issued share capital of Sinoma.

Other than the specific requirements on the holders of the shares as set out in Notes (a), (b) and (c), 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 2018*

## 25. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### (a) Acquisition of subsidiaries not under common control

During the six months ended 30 June 2017, the Group acquired 3 subsidiaries, namely, Heilongjiang Xinglong Cement Company Limited ("黑龍江省興隆水泥有限公司"), Lingui Zhongyang Cement Company Limited ("臨桂眾陽水泥有限公司") and Zhonggong Dingyuan Fertilizer Company Limited ("中工鼎原鉀肥有限公司") and certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the production and sale of cement and fertilizer.

These acquisitions have been accounted for using the acquisition method.

Summary of net assets acquired in the transactions during the period ended 30 June 2017, and the goodwill arising, are as follows:

| | 2017<br>Fair value<br>*RMB'000* |
|---|---|
| Net assets acquired: | |
| Property, plant and equipment | 210,377 |
| Intangible assets | 1,610 |
| Prepaid lease payments | 61,645 |
| Deferred income tax assets | 8,551 |
| Inventories | 21,061 |
| Trade and other receivables | 257,138 |
| Cash and cash equivalents | 19,329 |
| Trade and other payables | (73,410) |
| Amounts due to related parties | (280,037) |
| Deferred income tax liabilities | (13,606) |
| Net assets | 212,658 |
| Non-controlling interests | (32,216) |
| Goodwill | 151,486 |
| Total consideration | 331,928 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 25. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

| | 2017<br>Fair value<br>*RMB'000* |
|---|---|
| Total consideration satisfied by: | |
| Cash | 17,406 |
| Other payables *(Note)* | 108,309 |
| Transferred from prepayment | 206,213 |
| | 331,928 |
| Net cash inflow arising on acquisition: | |
| Cash consideration paid | (17,406) |
| Less: Cash and cash equivalents acquired | 19,329 |
| | 1,923 |

*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 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 RMB nil and RMB11.24 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 RMB78,166.13 million and profit for the period of the Group would be approximately RMB3,097.17 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 2018*

## 25. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

### (b) Disposal of subsidiaries

During the six months ended 30 June 2018 and 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:

| | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|
| Net assets/(liabilities) disposed of: | | |
| Property, plant and equipment | **192,726** | 298,586 |
| Goodwill | **11,072** | – |
| Prepaid lease payments | **7,068** | 3,471 |
| Deferred income tax assets | **4,428** | – |
| Inventories | **328,253** | – |
| Trade and other receivables | **109,545** | 203,339 |
| Cash and cash equivalents | **7,938** | 822 |
| Trade and other payables | **(194,546)** | (3,559) |
| Current income tax liabilities | **(17,250)** | (60) |
| Deferred Income | **(3,090)** | – |
| Amounts due to related parties | **(129,947)** | (226,298) |
| Borrowings | **(123,000)** | – |
| Obligations under finance leases | **–** | (302,775) |
| Deferred income tax liabilities | **(3,685)** | (1) |
| Net assets/(liabilities) disposed of | **189,512** | (26,475) |
| Consideration received: | | |
| Cash | **–** | 15,561 |
| Other receivables | **–** | 16,482 |
| Non-controlling interests | **67,599** | (36) |
| Interests in associates | **111,953** | – |
| Add: fair value losses on remeasurement of interests in associates *(Note 6)* | **9,960** | – |
| Add: net (assets)/liabilities disposed of | **(189,512)** | 26,475 |
| Less: direct costs attributable to the disposal | **–** | (82) |
| Gain on disposal of subsidiaries, net *(Note 6)* | **–** | 58,400 |
| Net cash (outflow)/inflow of cash arising from disposal of subsidiaries: | | |
| Cash consideration | **–** | 15,561 |
| Direct costs attributable to the disposal | **–** | (82) |
| Cash and cash equivalents in subsidiaries disposed of | **(7,938)** | (822) |
| Net cash (outflow)/inflow from disposal of subsidiaries | **(7,938)** | 14,657 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 26. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

For the period ended 30 June 2018, the Group acquired additional issued shares of 3 subsidiaries for a purchase consideration of approximately RMB2,075.59 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB2,857.13 million. The Group recognised a decrease in non-controlling interests of approximately RMB2,857.13 million and an increase in equity attributable to owners of the Company of approximately RMB 781.53 million.

Southwest Cement Company Limited (“西南水泥有限公司”) (“Southwest Cement”)

During the six months ended 30 June 2018, the Group acquired additional equity interests in Southwest Cement for a consideration of approximately RMB1,917.75 million. After that, the Group’s effective equity interests in Southwest Cement increased from 71.00% to 89.70%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB2,425.88 million. The Group recognised a decrease in non-controlling interests of approximately RMB2,425.88 million and an increase in equity attributable to owners of the Company of approximately RMB508.13 million.

Beijing New Building Material Public Limited Company (“北新集團建材股份有限公司”) (“BNBM”)

During the six months ended 30 June 2018, BNBM has repurchased and cancelled 5.539% of its share from the non-controlling shareholders for a consideration of RMB1. After that, the Group’s effective equity interests in BNBM increased from 35.73% to 37.83%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB260.46 million. The Group recognised a decrease in non-controlling interests of approximately RMB260.46 million and an increase in equity attributable to owners of the Company of approximately RMB260.46 million.

South Cement Company Limited (“南方水泥有限公司”) (“South Cement”)

During the six months ended 30 June 2018, the Group acquired additional equity interests in South Cement for a consideration of RMB157.84 million. After that, the Group’s effective equity interests in South Cement increased from 82.30% to 83.10%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB170.78 million. The Group recognized a decrease in non-controlling interests of approximately RMB170.78 million and an increase in equity attributable to owners of the Company of approximately RMB12.94 million.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 26. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (CONTINUED)

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

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 RMB19.13 million. The Group recognised a decrease in non-controlling interests of approximately RMB19.13 million and a decrease in equity attributable to owners of the Company of approximately RMB3.88 million.

| | **30 June 2018** *RMB'000* **(unaudited)** | 30 June 2017 *RMB'000* (unaudited) |
|---|---|---|
| Carrying amount of non-controlling interests acquired | **2,857,126** | 19,125 |
| Consideration paid to non-controlling interests | **(2,075,594)** | (23,000) |
| Shortfall/(excess) of consideration paid recognised within parent's equity | **781,532** | (3,875) |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 27. BUSINESS COMBINATION UNDER COMMON CONTROL

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

The reconciliation of the effect arising from the business combination under common control on the condensed consolidated statements of financial position as at 31 December 2017 and 30 June 2018 are as follows:

**As at 30 June 2018**

| | The Group excluding Sinoma and Sanshi South *RMB'000* (unaudited) | Sinoma *RMB'000* (unaudited) | Sanshi South *RMB'000* (unaudited) | Adjustments *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 129,279,024 | 45,980,164 | 519,025 | – | 175,778,213 |
| Prepaid lease payments | 15,569,849 | 4,010,148 | 85,957 | – | 19,665,954 |
| Investment properties | 295,803 | 554,905 | – | – | 850,708 |
| Goodwill | 44,184,408 | 1,077,936 | 793,562 | – | 46,055,906 |
| Intangible assets | 7,793,215 | 1,168,127 | 71,283 | – | 9,032,625 |
| Interests in associates | 12,611,450 | 427,626 | – | (1,057,629) | 11,981,447 |
| Interests in joint ventures | 7,362 | 11,660 | – | – | 19,022 |
| Investment in subsidiaries | 15,958,381 | – | – | (15,958,381) | – |
| Financial assets at fair value through profit or loss | 2,042,010 | 142,452 | – | – | 2,184,462 |
| Financial assets at fair value through other comprehensive income | 9,970 | – | – | – | 9,970 |
| Deposits | 1,933,367 | 376,318 | 7,222 | – | 2,316,907 |
| Trade and other receivables | 665,449 | 3,422,319 | – | – | 4,087,768 |
| Deferred income tax assets | 4,984,936 | 827,999 | 46,288 | – | 5,859,223 |
| | 235,335,224 | 57,999,654 | 1,523,337 | (17,016,010) | 277,842,205 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 27. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

**As at 30 June 2018 (Continued)**

| | The Group excluding Sinoma and Sanshi South *RMB'000* (unaudited) | Sinoma *RMB'000* (unaudited) | Sanshi South *RMB'000* (unaudited) | Adjustments *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Inventories | 18,298,036 | 6,876,869 | 57,328 | – | 25,232,233 |
| Trade and other receivables | 84,991,783 | 25,608,270 | 3,234,395 | – | 113,834,448 |
| Financial assets at fair value through profit or loss | 4,592,636 | 410,567 | – | – | 5,003,203 |
| Amounts due from related parties | 8,096,067 | 642,487 | 43,636 | (3,704,555) | 5,077,635 |
| Pledged bank deposits | 7,347,271 | 3,250,403 | 50,951 | – | 10,648,625 |
| Cash and cash equivalents | 13,457,725 | 12,351,211 | 312,641 | – | 26,121,577 |
| | 136,783,518 | 49,139,807 | 3,698,951 | (3,704,555) | 185,917,721 |
| Assets classified as held-for-sale | – | 86,830 | – | – | 86,830 |
| | 136,783,518 | 49,226,637 | 3,698,951 | (3,704,555) | 186,004,551 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 27. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

**As at 30 June 2018 (Continued)**

| | The Group excluding Sinoma and Sanshi South *RMB'000* (unaudited) | Sinoma *RMB'000* (unaudited) | Sanshi South *RMB'000* (unaudited) | Adjustments *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Trade and other payables | 55,600,848 | 32,181,603 | 987,526 | – | 88,769,977 |
| Amounts due to related parties | 7,260,760 | 1,496,320 | 2,902,129 | (5,270,184) | 6,389,025 |
| Borrowings – amount due within one year | 135,573,387 | 15,232,226 | 20,000 | – | 150,825,613 |
| Obligations under finance leases | 8,276,713 | 50,455 | – | – | 8,327,168 |
| Derivative financial instruments | – | 38,453 | – | – | 38,453 |
| Employee benefits payable | 2,380,288 | 530,711 | 58,230 | – | 2,969,229 |
| Current income tax liabilities | 2,059 | – | – | – | 2,059 |
| Financial guarantee contracts | 54,779 | 2,059 | – | – | 56,838 |
| Dividend payable to non-controlling interests | 452,421 | 57,575 | 980 | – | 510,976 |
| | 209,601,255 | 49,589,402 | 3,968,865 | (5,270,184) | 257,889,338 |
| **Net current (liabilities)/assets** | (72,817,737) | (362,765) | (269,914) | 1,565,629 | (71,884,787) |
| **Total assets less current liabilities** | 162,517,487 | 57,636,889 | 1,253,423 | (15,450,381) | 205,957,418 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 27. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

**As at 30 June 2018 (Continued)**

| | The Group excluding Sinoma and Sanshi South *RMB'000* (unaudited) | Sinoma *RMB'000* (unaudited) | Sanshi South *RMB'000* (unaudited) | Adjustments *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Borrowings – amount due after one year | 56,493,022 | 9,909,831 | 15,515 | – | 66,418,368 |
| Deferred income | 727,927 | 907,342 | – | – | 1,635,269 |
| Obligations under finance leases | 6,149,706 | 339 | – | – | 6,150,045 |
| Employee benefits payable | 29,492 | 235,517 | – | – | 265,009 |
| Deferred income tax liabilities | 2,090,195 | 348,748 | 8,343 | – | 2,447,286 |
| | 65,490,342 | 11,401,777 | 23,858 | – | 76,915,977 |
| **Net assets/(net liabilities)** | 97,027,145 | 46,235,112 | 1,229,565 | (15,450,381) | 129,041,441 |
| **Capital and reserves** | | | | | |
| Share capital | 8,434,771 | 7,431,091 | 1,000,000 | (8,431,091) | 8,434,771 |
| Reserves | 49,264,330 | 16,715,656 | 122,128 | (7,049,601) | 59,052,513 |
| **Equity attributable to** | | | | | |
| Owners of the Company | 57,699,101 | 24,146,747 | 1,122,128 | (15,480,692) | 67,487,284 |
| Holders of perpetual capital instruments | 18,326,368 | 1,113,739 | – | – | 19,440,107 |
| Non-controlling interests | 21,001,676 | 20,974,626 | 107,437 | 30,311 | 42,114,050 |
| Total equity/(deficit) | 97,027,145 | 46,235,112 | 1,229,565 | (15,450,381) | 129,041,441 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 27. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

**As at 31 December 2017**

| | The Group excluding Sinoma and Sanshi South *RMB'000* (audited) | Sinoma *RMB'000* (unaudited) | Sanshi South *RMB'000* (unaudited) | Adjustment *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 131,511,649 | 44,905,379 | 57,207 | (705) | 176,473,530 |
| Prepaid lease payments | 15,361,805 | 3,980,051 | 2,825 | – | 19,344,681 |
| Investment properties | 303,023 | 528,557 | – | – | 831,580 |
| Goodwill | 44,682,354 | 1,376,606 | 9,623 | – | 46,068,583 |
| Intangible assets | 7,805,299 | 1,155,209 | – | – | 8,960,508 |
| Interests in associates | 10,283,138 | 334,549 | – | (115,469) | 10,502,218 |
| Interests in joint ventures | – | 4,850 | – | – | 4,850 |
| Available-for-sale financial assets | 3,479,659 | 3,201,492 | – | – | 6,681,151 |
| Deposits | 2,854,836 | 373,112 | – | – | 3,227,948 |
| Trade and other receivables | – | 2,599,083 | – | – | 2,599,083 |
| Deferred income tax assets | 4,729,030 | 1,148,174 | 3,678 | – | 5,880,882 |
| | 221,010,793 | 59,607,602 | 73,333 | (116,174) | 280,575,014 |
| **Current assets** | | | | | |
| Inventories | 16,381,022 | 5,869,529 | 8,729 | (52,608) | 22,206,672 |
| Trade and other receivables | 83,254,550 | 23,545,089 | 882,335 | (91,670) | 107,599,304 |
| Available-for-sale financial assets | 54,500 | – | – | – | 54,500 |
| Financial assets at fair value through profit or loss | 2,878,711 | 8,839 | – | – | 2,887,550 |
| Amounts due from related parties | 6,068,783 | 554,460 | – | (652,842) | 5,970,401 |
| Pledged bank deposits | 8,190,061 | 3,145,020 | 67,989 | – | 11,403,070 |
| Cash and cash equivalents | 9,355,281 | 13,864,613 | 154,416 | – | 23,374,310 |
| | 126,182,908 | 46,996,550 | 1,113,469 | (797,120) | 173,495,807 |
| Assets classified as held-for-sale | – | 86,830 | – | – | 86,830 |
| | 126,182,908 | 47,083,380 | 1,113,469 | (797,120) | 173,582,637 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 27. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

**As at 31 December 2017 (Continued)**

| | The Group excluding Sinoma and Sanshi South *RMB'000* (audited) | Sinoma *RMB'000* (unaudited) | Sanshi South *RMB'000* (unaudited) | Adjustment *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Trade and other payables | 53,116,459 | 30,928,189 | 428,024 | (192,329) | 84,280,343 |
| Amounts due to related parties | 8,147,485 | 1,117,218 | 468,058 | (559,726) | 9,173,035 |
| Borrowings – amount due within one year | 130,485,081 | 17,606,642 | 48,000 | – | 148,139,723 |
| Obligations under finance leases | 9,015,132 | 132,696 | – | – | 9,147,828 |
| Derivative financial instruments | – | 477 | – | – | 477 |
| Employee benefits payable | – | 36,737 | – | – | 36,737 |
| Current income tax liabilities | 2,594,784 | 421,257 | 8,971 | – | 3,025,012 |
| Financial guarantee contracts | 56,838 | – | – | – | 56,838 |
| Dividends payable to non-controlling interests | 249,544 | 60,932 | – | – | 310,476 |
| | 203,665,323 | 50,304,148 | 953,053 | (752,055) | 254,170,469 |
| **Net current (liabilities)/assets** | (77,482,415) | (3,220,768) | 160,416 | (45,065) | (80,587,832) |
| **Total assets less current liabilities** | 143,528,378 | 56,386,294 | 233,749 | (161,239) | 199,987,182 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 27. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

**As at 31 December 2017 (Continued)**

| | The Group excluding Sinoma and Sanshi South *RMB'000* (audited) | Sinoma *RMB'000* (unaudited) | Sanshi South *RMB'000* (unaudited) | Adjustment *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Borrowings – amount due after one year | 45,944,115 | 15,168,582 | – | – | 61,112,697 |
| Deferred income | 922,312 | 773,304 | – | – | 1,695,616 |
| Obligations under finance leases | 9,015,699 | 1,007 | – | – | 9,016,706 |
| Employee benefits payable | – | 215,619 | – | – | 215,619 |
| Deferred income tax liabilities | 2,266,878 | 914,335 | – | – | 3,181,213 |
| | 58,149,004 | 17,072,847 | – | – | 75,221,851 |
| **Net assets/(liabilities)** | 85,379,374 | 39,313,447 | 233,749 | (161,239) | 124,765,331 |
| **Equity** | | | | | |
| Share capital | 5,399,026 | 3,571,464 | 160,000 | (3,731,464) | 5,399,026 |
| Reserves | 39,842,063 | 15,396,766 | 73,749 | 3,562,001 | 58,874,579 |
| **Equity attributable to:** | | | | | |
| Owners of the Company | 45,241,089 | 18,968,230 | 233,749 | (169,463) | 64,273,605 |
| Holders of perpetual capital instruments | 16,716,270 | – | – | – | 16,716,270 |
| Non-controlling interests | 23,422,015 | 20,345,217 | – | 8,224 | 43,775,456 |
| **Total equity/(deficit)** | 85,379,374 | 39,313,447 | 233,749 | (161,239) | 124,765,331 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 27. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The reconciliation of the effect arising from the common control combination on the condensed consolidated statement of profit or loss for the six months ended 30 June 2017 is as follows:

| | The Group excluding Sinoma and Sanshi south *RMB'000* (unaudited) | Sinoma *RMB'000* (unaudited) | Sanshi south *RMB'000* (unaudited) | Adjustments *RMB'000* (unaudited) | Consolidated *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| Revenue | 53,361,940 | 24,794,648 | 295,624 | (371,282) | 78,080,930 |
| Cost of sales | (39,804,506) | (19,265,070) | (240,321) | 355,691 | (58,954,206) |
| Gross profit | 13,557,434 | 5,529,578 | 55,303 | (15,591) | 19,126,724 |
| Investment and other income, net | 1,182,930 | 328,008 | 8,838 | (2) | 1,519,774 |
| Selling and distribution costs | (3,541,436) | (1,007,607) | (32,050) | – | (4,581,093) |
| Administrative expenses | (4,320,840) | (2,535,629) | (14,370) | – | (6,870,839) |
| Finance costs, net | (4,632,578) | (654,459) | (982) | – | (5,288,019) |
| Share of profits of associates | 429,726 | 9,547 | – | – | 439,273 |
| Share of profits of joint ventures | – | 1,055 | – | – | 1,055 |
| Profit/(loss) before income tax | 2,675,236 | 1,670,493 | 16,739 | (15,593) | 4,346,875 |
| Income tax expense | (847,378) | (408,407) | (5,081) | – | (1,260,866) |
| Profit/(loss) for the period | 1,827,858 | 1,262,086 | 11,658 | (15,593) | 3,086,009 |
| Profit/(loss) attributable to: | | | | | |
| Owners of the Company | 885,364 | 590,086 | 11,658 | (20,000) | 1,467,108 |
| Holders of Perpetual capital instruments | 301,250 | – | – | – | 301,250 |
| Non-controlling interests | 641,244 | 672,000 | – | 4,407 | 1,317,651 |
| | 1,827,858 | 1,262,086 | 11,658 | (15,593) | 3,086,009 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 27. 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 2017 is as follows:

| | Impact on earnings per share *RMB* (unaudited) |
|---|---|
| Reported figures before restatement | 0.164 |
| Restatement arising from business combinations of entities under common control | 0.010 |
| Restated | 0,174 |

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 2017 is as follows:

| | Net profit *RMB'000* (unaudited) |
|---|---|
| Reported figures before restatement | 1,827,858 |
| Restatement arising from business combinations of entities under common control | 1,258,151 |
| Restated | 3,086,009 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 28. COMMITMENTS

| | **30 June 2018** *RMB'000* (unaudited) | 31 December 2017 *RMB'000* (restated) (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 | **973,576** | 1,077,053 |

### 29. CONTINGENT LIABILITIES AND LITIGATION

#### The Gypsum Board Litigation in the United States

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 United States (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, the announcement dated 22 June 2017, the 2017 annual report, the announcement dated 22 March 2018 and 22 August 2018 of the Company.

In March 2018, having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum Co., Ltd.* (泰山石膏有限公司) ("Taishan Gypsum") and/or Taian Taishan Plasterboard Co., Ltd.* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, "Taishan") are parties, BNBM and Taishan have jointly reached settlement with the plaintiff of one of the gypsum board cases, Meritage Homes of Floria, Inc. ("Meritage"). According to the terms of BNBM and Taishan's joint settlement with Meritage, Taishan agreed to pay Meritage US$1,380,000, in full and final settlement of Meritage's respective claims against BNBM and Taishan. In accordance with the settlement agreement, Taishan has paid the settlement sum to Meritage. The case filed by Meritage against BNBM and Taishan has been fully settled.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 29. CONTINGENT LIABILITIES AND LITIGATION (CONTINUED)

### The Gypsum Board Litigation in the United States (Continued)

Having considered factors including costs of litigation and potential impact on other gypsum board litigation to which BNBM, Taishan Gypsum and/or Taian, Taishan has reached settlement with the plaintiffs (including Allen) of one of the gypsum board cases. This gypsum board case is a third-party claim which has been initiated by the original claimants, Venture Supply, Incand Porter-Blaine Corp. (collectively, "Venture"), against Taishan, and has subsequently been transferred to the Plaintiffs (the "Transferred Third-party Claim") as a part of the settlement arrangement for a lawsuit brought by the Plaintiffs against Venture in Virginia in the US. According to the terms of settlements, Taishan will pay a settlement sum of US$1,978,528.40 into a custodian account within 60 days from the effective date (i.e. 21 August 2018) of the settlement agreement. After the payment is made, the Plaintiffs will waive all liabilities with respect to Taishan the Transferred Third-party Claim involves, and will not make any further claims or allegations with respect thereto.

Each of the Company, BNBM and Taishan Gypsum has engaged domestic and overseas lawyers to conduct research and assessment on the litigation strategies and defence of the litigation case in respect of the gypsum board, as well as its impact on each of the companies. At present, the economic loss of the Company and the impact on its profit for the current period (if any) that may be resulted from the case cannot be accurately estimated. The Company will make further disclosure as and when necessary or appropriate in accordance with the progress of the litigation.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 30. 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Provision of production supplies to | | |
| – The Parent Group | **98,044** | 232,762 |
| – Associates | **1,606** | 68,332 |
| – Joint ventures | **–** | 8,062 |
| – Non-controlling interests of subsidiaries | **64,079** | 141,644 |
| | **163,729** | 450,800 |
| Provision of support services to | | |
| – The Parent Group | **610** | 623 |
| – Associates | **299** | 124 |
| – Non-controlling interests of subsidiaries | **–** | 7 |
| | **909** | 754 |
| Rental income received from | | |
| – The Parent Group | **3,063** | 1,409 |
| – Associates | **640** | 11,450 |
| – Non-controlling interests of subsidiaries | **–** | 69 |
| | **3,703** | 12,928 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 30. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Rendering of engineering services to the Parent Group | **789,811** | 316,433 |
| Supply of raw materials (limestone and clay) by the Parent Group | **61,464** | 4,416 |
| Provision of production supplies by | | |
| – The Parent Group | **182,889** | 313,334 |
| – Associates | **20,002** | 32,334 |
| – Non-controlling interests of subsidiaries | **–** | 53,041 |
| | **202,891** | 398,709 |
| Interest expenses paid to | | |
| – The Parent Group | **2,980** | 18,457 |
| – Non-controlling interests of subsidiaries | **8,880** | 1,764 |
| | **11,860** | 20,221 |
| Provision of support services by the Parent Group | **17,985** | 19,549 |
| Provision of engineering services by | | |
| – The Parent Group | **62,282** | 10,985 |
| Interest income received from: | | |
| – The Parent Group | **–** | 1,603 |
| – Associates | **1,645** | 4,840 |
| | **1,645** | 6,443 |
| Supplying of equipment by the Parent Group | **59,470** | 48,170 |
| Rental expenses paid to | | |
| – The Parent Group | **–** | 3,405 |
| – Non-controlling interests of subsidiaries | **–** | 1,006 |
| | **–** | 4,411 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | 30 June 2018 *RMB'000* (unaudited) | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| **Amounts due from related parties** | | |
| Trading in nature: | | |
| – Fellow subsidiaries | **2,194,111** | 3,402,154 |
| – Associates | **72,504** | 80,253 |
| – Joint ventures | **7,772** | 5,394 |
| – Immediate holding company | **34** | 64 |
| – Non-controlling interests of subsidiaries | **416,150** | 310,170 |
| | **2,690,571** | 3,798,035 |
| Non-trading in nature: | | |
| – Fellow subsidiaries | **1,647,051** | 1,170,175 |
| – Associates | **258,570** | 438,658 |
| – Joint ventures | **65,558** | 992 |
| – Immediate holding company | **7,529** | 1,401 |
| – Non-controlling interests of subsidiaries | **408,356** | 561,140 |
| | **2,387,064** | 2,172,366 |
| | **5,077,635** | 5,970,401 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* (restated) (unaudited) |
|---|---|---|
| **Amounts due to related parties** | | |
| Trading in nature: | | |
| – Fellow subsidiaries | **713,199** | 1,967,829 |
| – Associates | **46,498** | 37,340 |
| – Joint ventures | **456** | – |
| – Non-controlling interests of subsidiaries | **33,953** | 37,233 |
| | **794,106** | 2,042,402 |
| Non-trading in nature: | | |
| – Fellow subsidiaries | **2,372,852** | 1,845,979 |
| – Associates | **46,727** | 280 |
| – Joint ventures | **570** | – |
| – Immediate holding company | **2,483,109** | 4,092,529 |
| – Non-controlling interests of subsidiaries | **691,661** | 1,191,845 |
| | **5,594,919** | 7,130,633 |
| | **6,389,025** | 9,173,035 |

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 2018, amounts due from related parties of approximately RMB974.79 million (31 December 2017: approximately RMB1,428.39 million) carry the variable interest rate of 4.35% (31 December 2017: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2018, amounts due to related parties of approximately RMB5,126.34 million (31 December 2017: approximately RMB6,549.08 million) carry the fixed interest rate of 5.31% (31 December 2017: 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 2018*

### 30. RELATED PARTY TRANSACTIONS (CONTINUED)

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

During the six months ended 30 June 2018, 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 2018 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 2018 are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | | (restated) |
| | **(unaudited)** | (unaudited) |
| Short term benefits | **6,788** | 4,264 |
| Post-employment benefits | **177** | 162 |
| | **6,965** | 4,426 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

### 31. EVENTS AFTER THE BALANCE SHEET DATE

On 4 April 2014, Tianshan Cement and Tianshan Real Estate entered into the relocation compensation agreement ("Relocation Compensation Agreement"), pursuant to which Tianshan Real Estate agreed to pay a certain amount through six annual instalments from 2014 to 2019, in return of which Tianshan Cement agreed to deliver corresponding assets on the Cangfanggou Plant (being the plant located in Urumqi in the PRC which used to be operated by Tianshan Cement) in batches.

On 27 July 2018, Tianshan Cement (a subsidiary of the Company), Tianshan Real Estate (a subsidiary of the Parent) and Tianshan Building Materials (a subsidiary of the Parent and the 100% holding company of Tianshan Real Estate) entered into the supplemental agreement ("Supplemental Agreement") to the Relocation Compensation Agreement to, among other things, adjust the payment schedule for the outstanding amount of RMB578,233,672.90 under the Relocation Compensation Agreement.

Details of the Supplemental Agreement to the Relocation Compensation Agreement are disclosed in the announcement of the Company issued on 27 July 2018.

### 32. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information set out on pages 87 to 180 have been approved and authorised for issue by the Board of Directors on 24 August 2018.