



CNBM

China National Building Material Company Limited*

(Stock Code: 03323)

2021

Interim

Report 中期報告

* For identification only

Financial and Business Highlights

	As at 30 June 2021 (unaudited) (RMB in millions)	As at 31 December 2020 (audited) (RMB in millions)	Growth rate
Bank balances and cash	26,964	29,722	-9.3%
Total assets	488,951	456,440	7.1%
Equity attributable to equity holders of the Company	94,562	90,250	4.8%

	For the six months ended 30 June		Growth rate
	2021 (unaudited) (RMB in millions)	2020 (restated) (unaudited) (RMB in millions)	
Revenue	121,870	106,804	14.1%
Profit after tax	13,219	9,693	36.4%
Profit attributable to equity holders of the Company	7,959	5,381	47.9%
Net cash flows from operating activities	15,767	20,571	-23.4%
Sales volume of cement and clinker <i>(in thousand tonnes)</i>	176,837	164,302	7.6%
Sales volume of commercial concrete <i>(in thousand m³)</i>	51,845	45,717	13.4%
Sales volume of aggregate <i>(in thousand tonnes)</i>	42,737	32,871	30.0%
Sales volume of gypsum boards <i>(in million m²)</i>	1,159	825	40.5%
Sales volume of glass fiber yarn <i>(in thousand tonnes)</i>	1,451	1,230	18.0%
Sales volume of wind power blade <i>(MW)</i>	6,591	6,439	2.4%
Revenue from engineering services <i>(RMB in millions)</i>	20,677	15,730	31.4%
Average selling price of cement and clinker <i>(RMB per tonne)</i>	324.5	324.6	0.0%
Average selling price of commercial concrete <i>(RMB per m³)</i>	453.7	472.7	-4.0%
Average selling price of aggregate <i>(RMB per tonne)</i>	45.8	52.1	-12.1%
Average selling price of gypsum board <i>(RMB per m²)</i>	5.48	5.29	3.6%
Average selling price of glass fiber yarn <i>(RMB per tonne)</i>	5,863	4,539	29.2%
Average selling price of wind power blade <i>(RMB per MW)</i>	698,165	736,324	-5.2%



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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 send their requests at any time 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 Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or by sending an email to the Company's H Share Registrar in Hong Kong at cnbm3323-ecom@hk.tricorglobal.com.

Corporate Information

DIRECTORS:

Executive Directors

Cao Jianglin (*Chairman*)
Chang Zhangli (*President*)
Peng Shou
Cui Xingtai
Fu Jinguang

Non-executive Directors

Zhan Yanjing
Tao Zheng
Chen Yongxin
Shen Yungang
Fan Xiaoyan

Independent Non-executive Directors

Sun Yanjun
Liu Jianwen
Zhou Fangsheng
Li Jun
Xia Xue

STRATEGIC STEERING COMMITTEE:

Cao Jianglin (*Chairman*)
Chang Zhangli
Zhou Fangsheng

NOMINATION COMMITTEE:

Sun Yanjun (*Chairman*)
Liu Jianwen
Cao Jianglin

Note: On 27 August 2021, Mr. Chang Zhangli was elected at the 14th meeting of the fourth session of the Board to replace Mr. Peng Shou as the president of the Company and a member of Strategic Steering Committee, and was re-designated from a non-executive Director to an executive Director, with his term of office commencing from 27 August 2021 and being the same as that of the fourth session of the Board.

Corporate Information (Continued)

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE:

Zhou Fangsheng (*Chairman*)
Sun Yanjun
Cao Jianglin

AUDIT COMMITTEE:

Li Jun (*Chairman*)
Liu Jianwen
Xia Xue

SUPERVISORS:

Li Xinhua (*Chairman of the Supervisory Committee*)
Wang Yumeng
Guo Yanming
Wu Weiku (*Independent Supervisor*)
Li Xuan (*Independent Supervisor*)
Zeng Xuan (*Staff Representative Supervisor*)
Xu Qian (*Staff Representative Supervisor*)
Yu Yuehua (*Staff Representative Supervisor*)

Secretary of the Board : Yu Kaijun

Joint Company Secretaries : Yu Kaijun
Lee Mei Yi (FCG, FCS)

Authorised Representatives : Cao Jianglin
Yu Kaijun

Alternate Authorised Representative : Lee Mei Yi (FCG, FCS)
(Au Hei Ki (ACG, ACS), alternate to Lee Mei Yi)

Corporate Information (Continued)

Qualified Accountant	:	Pei Hongyan (FCCA)
Registered Address	:	Tower 2 (Building B), Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Principal Place of Business	:	21st Floor Tower 2, Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Postal Code	:	100036
Place of Representative Office in Hong Kong	:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong The PRC
Principal Bankers	:	Agricultural Bank of China Limited Bank of Communications Co., Ltd. China Construction Bank Corporation
PRC Legal Adviser	:	Jia Yuan Law Offices F408 Ocean Plaza 158 Fuxing Men Nei Street Xicheng District, Beijing The PRC
Hong Kong Legal Advisers	:	Slaughter and May 47th Floor, Jardine House 1 Connaught Place Central Hong Kong The PRC DLA Piper Hong Kong 25/F Three Exchange Square 8 Connaught Place, Central Hong Kong The PRC

Corporate Information (Continued)

International Auditor	:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong The PRC
Domestic Auditor	:	Baker Tilly China Certified Public Accountants (Special General Partnership) Building 12, Foreign Cultural and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong	:	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong The PRC
Stock Code	:	03323
Company Websites :	:	http://cnbm.wsfh.hk www.cnbm.ltd.com

Definitions

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

““2+3” marketing strategy”	consolidate two core markets of Lusaka and Copperbelt Province of Zambia, and expand three overseas markets of Democratic Republic of the Congo, Zimbabwe and Malawi
““2422” reduction”	the Group’s key performance indicators, which include the reduction of account receivables and inventory; the reduction of other receivables, prepayments, interest-bearing liabilities and monetary capital; the reduction of asset-liability ratio and capital expenditure; and the reduction of the number of employees and legal persons
“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 Resources Saving & Environmental 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 FRP Institute”	北京玻璃鋼研究設計院有限公司 (Beijing FRP Research and Design Institute Co., Ltd.*)
“Beijing Triumph”	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)

Definitions (Continued)

“Beixin Flooring”	北新彈性地板有限公司 (Beixin Resilient Flooring Co., Ltd.)
“Bengbu Triumph”	蚌埠凱盛工程技術有限公司 (Bengbu Triumph Engineering 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)
“BNBM PNG”	中建投巴新公司 (BNBM PNG Limited)
“BNBM Taicang”	太倉北新建材有限公司 (BNBM Taicang Company Limited)
“BNBMG”	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
“BNS”	北新科技發展有限公司 (BNS Company Limited)
“Board”	the board of directors of the Company
“Building Materials Academy”	中國建築材料科學研究總院有限公司 (China Building Materials Academy Co., Ltd.)
“carbon neutral”	the offset of carbon dioxide emissions through afforestation, energy conservation and other channels in order to achieve “zero emissions” of carbon dioxide
“carbon peak”	carbon dioxide emissions no longer increase and have reached the peak, then gradually fall back
“CBMI Construction”	中材建設有限公司 (CBMI Construction Co., Ltd.)

Definitions (Continued)

“CCDRI”	成都建築材料工業設計研究院有限公司 (Chengdu Design & Research Institute of Building Materials Industry Co., Ltd.)
“Cement+”	to develop, optimize and expand cement, commercial concrete, aggregate businesses which are the extension of industry chain of cement-related products and the new focal point of profit growth
“Ceramics Institute”	北京中材人工晶體研究院有限公司 (Beijing Sinoma Synthetic Crystals Co., Ltd.)
“Chengtong Financial”	北京誠通金控投資有限公司 (Beijing Chengtong Financial Investment Co., Ltd.)
“China Certification Group”	中國建材檢驗認證集團股份有限公司 (China Building Material Test & Certification Group Co., Ltd.)
“China Composites”	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
“China Jushi”	中國巨石股份有限公司 (China Jushi Co., Ltd.) (previously known as 中國玻纖股份有限公司 China Fiberglass Company Limited)
“China Standard Sand”	廈門艾思歐標準砂有限公司 (China ISO Standard Sand Co., Ltd.)
“China Triumph”	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
“China United Cement”	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.)

Definitions (Continued)

“CNBM Investment”	中建材投資有限公司 (CNBM Investment Company Limited) (previously known as 北新物流有限公司 BND Co., Limited)
“CNBM Trading”	中建材集團進出口有限公司 (China National Building Material Import and Export Co., Ltd.)
“CNBM United Investment”	中建材聯合投資有限公司 (CNBM United Investment 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)
“CTG”	泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.)
“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
“Dual Circulation”	a new development pattern with domestic circulation as the mainstay and domestic and international circulations reinforcing each other
“Dual Controls”	control intensity and control quantity
“EBC system”	Enterprise Business Capability system
“EPC”	abbreviation for Engineering, procurement and construction, namely being commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be fully responsible for the quality, safety, timely delivery and cost of the project, and bears similar meaning to “EPC Contract”

Definitions (Continued)

“Finance Company”	中國建材集團財務有限公司 (China National Building Material Group Finance 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.)
“Golmud”	格爾木中材新能源電力有限公司 (Golmud Sinoma New Energy Power Co., Ltd.)
“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)
“Guizhou Southwest Cement”	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
“Guoxin Investment”	國新投資有限公司 (Guoxin Investment Co., Ltd.)
“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
“Handan Sinoma”	邯鄲中材建設有限責任公司 (Sinoma (Handan) Construction Co., Ltd.)
“HAZEMAG Germany”	HAZEMAG&EPR GmbH
“Huaihai China United”	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)

Definitions (Continued)

“Huainan BNBM”	淮南北新建材有限公司 (Huainan Beixin Building Materials Co., Ltd.)
“Hubei BNBM”	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
“Hunan Chinaly”	湖南中鋰新材料有限公司 (Hunan Chinaly New Material Co., Ltd.)
“Hunan South Cement”	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board
“IFRIC”	International Financial Reporting Interpretations Committee
“IFRS”	International Financial Reporting Standards
“Industrial Ceramics Institute”	山東工業陶瓷研究設計院有限公司 (Shandong Industrial Ceramics Research & Design Institute Co., Ltd.)
“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 Environmental Protection Institute”	中建材環保研究院(江蘇)有限公司 (CNBM Environmental Protection Research Institute (Jiangsu) Co., Ltd.)
“Jiangsu Solar Energy”	江蘇太陽能新材料有限公司 (Jiangsu Solar Energy Materials Co., Ltd.)

Definitions (Continued)

“Jiangsu Tianshan”	江蘇天山水泥集團有限公司 (Jiangsu Tianshan Cement (Group) Co., Ltd.)
“Jiangxi South Cement”	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
“Jushi Group”	巨石集團有限公司 (Jushi Group Company Limited)
“Kashgar Tianshan”	喀什天山水泥有限責任公司 (Kashgar Tianshan Cement Co., Ltd.)
“Kharachi Company”	喀喇沁草原水泥有限責任公司 (Kharachi Grassland Cement Co., Ltd.)
“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.)
“Luopu Tianshan”	洛浦天山水泥有限責任公司 (Luopu Tianshan Cement Co., Ltd.)
“Luoyang China United”	洛陽中聯水泥有限公司 (China United Cement Luoyang Co., Ltd.)
“management of three delicacies”	improve operating efficiency, enhance refined management and streamline the organizational structure
“MEE”	中華人民共和國生態環境部 (Ministry of Ecology and Environmental of the People’s Republic of China)
“Midong Tianshan”	新疆米東天山水泥有限責任公司 (Xinjiang Midong Tianshan Cement Co., Ltd.)

Definitions (Continued)

“MIIT”	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People’s Republic of China)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nanjing China United Concrete”	南京中聯混凝土有限公司 (China United Concrete Nanjing Co., Ltd.)
“Nanjing Mining”	中國非金屬材料南京礦山工程有限公司 (China Non-metal Materials Mining Engineering Co., Ltd. (Nanjing))
“Nanjing Triumph”	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
“Nanyang China United”	南陽中聯水泥有限公司 (China United Cement Nanyang Co., Ltd.)
“Ningxia Building Materials”	寧夏建材集團股份有限公司 (Ningxia Building Materials Group Co., Limited)
“Ningxia Saima”	寧夏賽馬水泥有限公司 (Ningxia Saima Cement Co., Ltd.)
“Nitride Ceramics”	中材高新氮化物陶瓷有限公司 (Sinoma Advanced Nitride Ceramics Co., Ltd.)
“North Cement”	北方水泥有限公司 (North Cement Company Limited)
“NRDI”	南京玻璃纖維研究設計院有限公司 (Nanjing Fiberglass R&D Institute Co., Ltd.)

Definitions (Continued)

“one body, two wings and global layout”	“one body” means to take the gypsum board business as the core, do a good job in supporting extension business of “gypsum board +”, promote our original “Luban” universal board assembly system for the whole house, and provide customers with technical solutions of “interior, exterior, ceiling and floor” innovative products; “two wings” means to develop waterproof materials and coatings business, enter into “ten times +” market, and cultivate main business in a strategic level; “global layout” means to take gypsum board as the leading product, gradually carry out the global layout of the entire product series, and build a world-class brand
“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
“precision, practicality, detail and innovation”	“precision” means accuracy, exquisite and perfection; “practicality” means focusing on reality, implementation and results; “detail” means detailed targets, detailed measures and detailed work; “innovation” means new ideas, new actions and new achievements
“Qilianshan”	甘肅祁連山水泥集團股份有限公司 (Gansu Qilianshan Cement Group Company Limited)
“Qilianshan Holdings”	甘肅祁連山建材控股有限公司 (Gansu Qilianshan Building Materials Holdings Company Limited)
“Qingtongxia Cement”	寧夏青銅峽水泥股份有限公司 (Ningxia Qingtongxia Cement Co., Ltd.)
“Qingzhou China United”	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)

Definitions (Continued)

“Qufu China United”	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
“Reporting Period”	the period from 1 January 2021 to 30 June 2021
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Saima IOT”	賽馬物聯科技(寧夏)有限公司 (Saima IOT Technology (Ningxia) Co., Ltd.)
“Saima Kejin”	寧夏賽馬科進混凝土有限公司 (Ningxia Saima Kejin Concrete Co., Ltd.)
“SASAC”	國務院國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of the State Council)
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shandong Sinoma Engineering”	山東中材工程有限公司 (Shandong Sinoma Engineering Co., Ltd.)
“Shanghai South Cement”	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
“Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising 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 (Shenzhen Science & Technology Engineering Company Limited)
“Sichuan Southwest Cement”	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
“Sinoma (Gansu)”	中材甘肅水泥有限責任公司 (Sinoma (Gansu) Cement Co., Ltd.)

Definitions (Continued)

“Sinoma (Tianshui)”	天水中材水泥有限責任公司 (Sinoma (Tianshui) Cement Co., Ltd.)
“Sinoma Advanced”	中材高新材料股份有限公司 (Sinoma Advanced Materials Co., Ltd.)
“Sinoma Anhui”	中材安徽水泥有限公司 (Sinoma Anhui Cement Co., Ltd.)
“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 Environment”	中材國際環境工程(北京)有限公司 (Sinoma International Environmental Engineering (Beijing) 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 Insulator”	中材江西電瓷電氣有限公司 (Sinoma Jiangxi Insulator and Electrics 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.)

Definitions (Continued)

“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 Overseas”	中材海外工程有限公司 (Sinoma Overseas Engineering Co., Ltd.)
“Sinoma Parent”	中國中材集團有限公司 (China National Materials Group Corporation Ltd.), a wholly-owned subsidiary of the Parent
“Sinoma Pingxiang”	中材萍鄉水泥有限公司 (Sinoma Pingxiang Cement Co., Ltd.)
“Sinoma Science & Technology”	中材科技股份有限公司 (Sinoma Science & Technology Co., Ltd.)
“Sinoma Suzhou”	蘇州中材建設有限公司 (Sinoma (Suzhou) Construction Co., Ltd.)
“Sinoma Zhuzhou”	中材株洲水泥有限責任公司 (Sinoma Zhuzhou Cement Co., Ltd.)
“South Cement”	南方水泥有限公司 (South Cement Company Limited)
“South New Materials”	南方新材料科技有限公司 (South New Materials Technology Company Limited)
“Southwest Cement”	西南水泥有限公司 (Southwest Cement Company Limited)
“State”	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

Definitions (Continued)

“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Suzhou Nonmetallic Minerals”	蘇州中材非金屬礦工業設計研究院有限公司 (Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd.)
“Taishan Finance”	泰安市泰山財金投資有限公司 (Taian Taishan Finance Investment Co., Ltd.)
“Taishan Gypsum”	泰山石膏有限公司 (Taishan Gypsum Co., Ltd.*)
“Taishan Investment”	泰安市泰山投資有限公司 (Taian Taishan Investment Co., Ltd.)
“TCDRI”	天津水泥工業設計研究院有限公司 (Tianjin Cement Industry Design & Research Institute Co., Ltd.)
“thin felt+”	the special thin felts which fully rely on the developed and enhanced base material with uniqueness and technical ingenuity, developing special functional materials that are resource-saving, space-functional and environmentally friendly
“Tianjin Mining”	天津礦山工程有限公司 (Sinoma Tianjin Mining Engineering Co., Ltd.)
“Tianshan Building Materials”	新疆天山建材(集團)有限責任公司 (Xinjiang Tianshan Building Materials (Group) Co., Ltd.)
“Tianshan Cement”	新疆天山水泥股份有限公司 (Xinjiang Tianshan Cement Co., Ltd.*)
“Triumph Robotics”	中建材凱盛機器人(上海)有限公司 (CNBM Triumph Robotics (Shanghai) Co., Ltd.) (formerly known as 江蘇中建材環保研究院有限公司 Jiangsu CNBM Environmental Protection Research Institute Company Limited)

Definitions (Continued)

“Unlisted Foreign Shares”	the unlisted foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company
“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 (Wangqing North Cement Limited Liability Company)
“Weijin Jingang”	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
“Xi’an Mining”	中國建築材料工業建設西安工程有限公司 (China Building Materials Industrial Construction Xi’an Engineering Co., Ltd.)
“Xinjiang Tunhe”	新疆屯河水泥有限責任公司 (Xinjiang Tunhe Cement Co., Ltd.)
“Xuzhou China United”	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
“Yanzhou Mining”	兗州中材建設有限公司 (Sinoma Construction Yanzhou Co., Ltd.)
“Yecheng Tianshan”	葉城天山水泥有限責任公司 (Yecheng Tianshan Cement Co., Ltd.)
“Yichun North Cement”	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
“Yixing Tianshan”	宜興天山水泥有限責任公司 (Yixing Tianshan Cement Co., Ltd.)
“Yunfu Tianshan”	中材天山(雲浮)水泥有限公司 (Sinoma Yunfu Tianshan Cement Co., Ltd.)
“Yunnan Southwest Cement”	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)

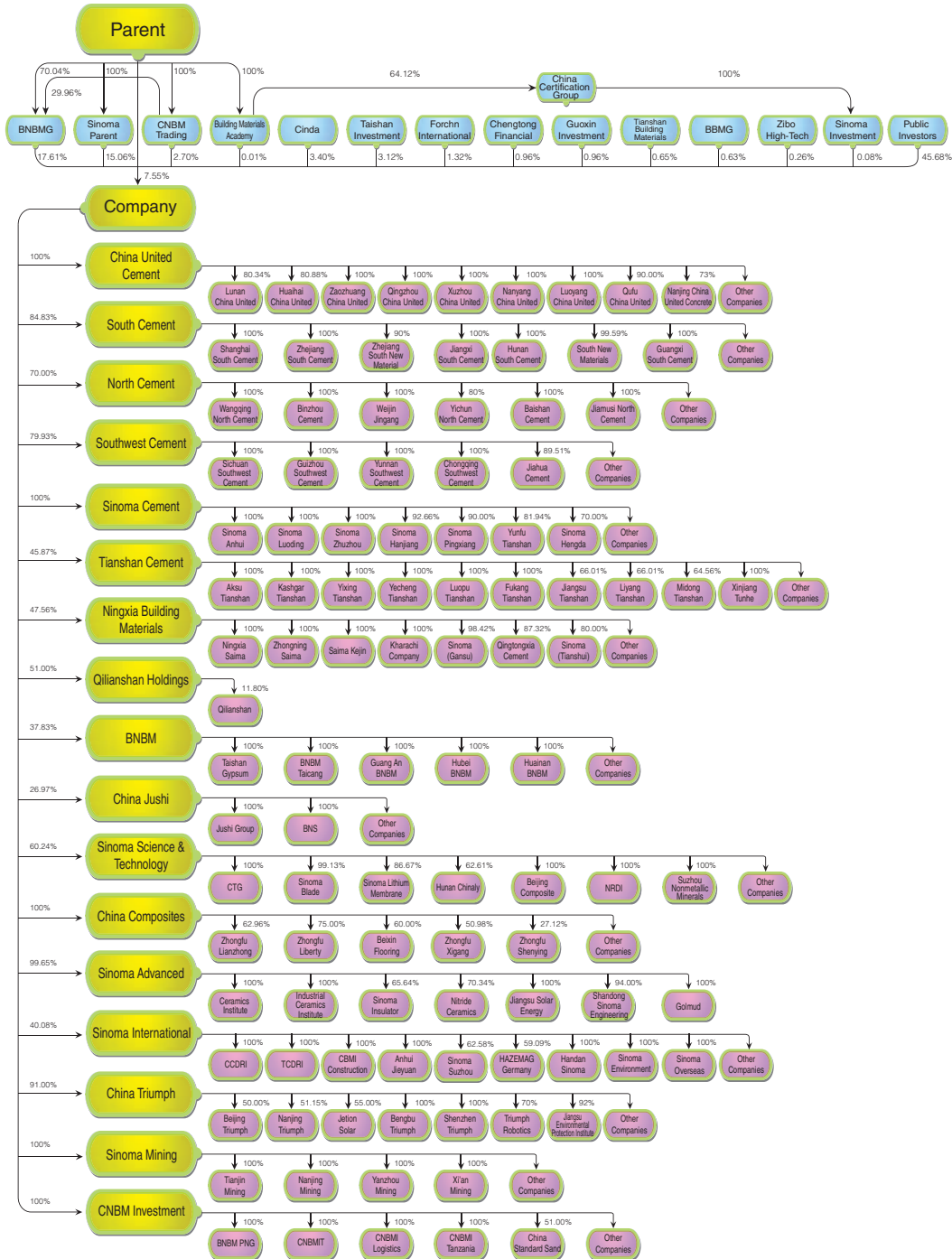
Definitions (Continued)

“Zaozhuang China United”	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
“Zhejiang South Cement”	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited*)
“Zhejiang South New Material”	浙江三獅南方新材料有限公司 (Zhejiang Sanshi South New Material Limited Company)
“Zhongfu Lianzhong”	連雲港中復連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composites Group Co., Ltd.)
“Zhongfu Liberty”	常州中復麗寶第複合材料有限公司 (Changzhou China Composites Liberty Co., Ltd.)
“Zhongfu Shenying”	中復神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Co., Ltd.)
“Zhongfu Xigang”	威海中復西港船艇有限公司 (Weihai Zhongfu Xigang Ship Co., Ltd.)
“Zhongning Saima”	寧夏中寧賽馬水泥有限公司 (Ningxia Zhongning Saima Cement Co., Ltd.)
“Zibo High-Tech”	濰博高新技術風險投資股份有限公司 (Zibo High-Tech Venture Investment Co., Ltd.)

* For identification purposes only

Shareholding Structure of the Group

The simplified structure of the Group as of 30 June 2021 is set out below:



Shareholding Structure of the Group (Continued)

Notes:

1. The aforementioned percentages are rounded to 2 decimal places. Due to rounding, 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. The Parent indirectly holds 6.8 million H Shares of the Company through Building Materials Academy, accounting for 0.08% of the total share capital. Building Materials Academy directly holds 64.12% equity interest of China Certification Group, and indirectly holds 4.18% equity interest of China Certification Group through its wholly-owned subsidiaries Xianyang Ceramics Research & Design Institute Co., Ltd, Xi'an Research & Design Institute of Wall & Roof Materials Co., Ltd., and Qinhuangdao Glass Industry Research and Design Institute Company Limited. Building Materials Academy directly and indirectly holds 68.30% equity interest of China Certification Group in aggregate.
4. The Company indirectly held 11.80% equity interest of Qilianshan through Qilianshan Holdings and directly held 13.24% equity interest of Qilianshan.
5. Sinoma International indirectly held 37.42% equity interest in Sinoma Suzhou through CBMI Construction, and directly held 62.58% equity interest in Sinoma Suzhou.
6. The Company directly held 70% equity interest of North Cement and indirectly held 4.6% equity interest of North Cement through South Cement.
7. In June 2021, Sinoma International has completed the industrial and commercial registration of the Company's capital reduction. Based on the total share capital of 1,737,646,983 shares after capital reduction, the Company holds 40.08% of the issued share capital of Sinoma International.
8. In March 2021, an equity transfer agreement was signed between the Company, Sinoma Science & Technology and CTG, pursuant to which 50.01% equity interest of Sinoma Jinjing held by the Company was transferred to CTG. At the same time, an equity transfer agreement was signed between CTG and Shandong Jinjing Science & Technology Stock Co., Ltd., pursuant to which CTG would acquire 48.05% equity interest of Sinoma Jinjing held by the latter. After the acquisition, Sinoma Jinjing shall become a controlling subsidiary of CTG. In April 2021, Sinoma Jinjing has completed the industrial and commercial registration of the aforementioned transfers.
9. Tianshan Cement directly held 64.56% equity interest of Midong Tianshan and held 19.37% equity interest of Midong Tianshan through Tunhe Cement, thus holding a total of 83.93% equity interest of Midong Tianshan.
10. On 9 August 2021, a total of 689,448,706 Unlisted Shares jointly held by the shareholders including Cinda, Forchn International, Chengtong Financial, Guoxin Investment, Tianshan Building Materials, BBMG and Zibo High-Tech completed the conversion to H Shares, and those shares were listed on the Stock Exchange at 9:00 a.m. on 10 August 2021.
11. On 13 August 2021, CNBM Trading, a Shareholder of the Company, entered into an agreement with CNBM United Investment, pursuant to which CNBM Trading agreed to transfer 2.7% equity interest of the Company to CNBM United Investment. As at the date of this interim report, both parties have not completed the industrial and commercial registration.

Financial Highlights

For the six months ended 30 June

	2021 (unaudited)	2020 (restated) (unaudited)
	<i>(RMB in thousands)</i>	
Revenue	121,870,394	106,803,662
Gross profit	30,350,827	29,173,539
Profit after tax	13,219,130	9,693,124
Profit attributable to equity holders of the Company	7,958,795	5,380,640
Distribution made to the equity holders of the Company	3,964,342	2,952,170
Earnings per share-basic <i>(RMB)</i> ⁽¹⁾	0.944	0.638

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 2021 and for the six months ended 30 June 2020.

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
	<i>(RMB in thousands)</i>	
Total assets	488,950,954	456,440,455
Total liabilities	311,920,422	291,232,966
Net assets	177,030,532	165,207,489
Non-controlling interests	62,662,095	56,320,118
Equity attributable to equity holders of the Company	94,562,151	90,250,194
Net assets per share-weighted average <i>(RMB)</i> ⁽¹⁾	11.21	10.70
Debt to assets ratio ⁽²⁾	38.2%	38.4%
Net debt ratio ⁽³⁾	90.3%	88.0%

Notes:

- (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 2020 and for the six months ended 30 June 2021.
- (2) Debt to assets ratio = total borrowings/total assets x 100%.
- (3) Net debt ratio = (total borrowings-bank balances and cash)/net assets x100%.

Business Highlights

The major operating data of each segment of the Group for the six months ended 30 June 2021 and 30 June 2020 are set out below:

CEMENT SEGMENT

China United Cement

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	32,381	27,461
Production volume – clinker (<i>in thousand tonnes</i>)	24,461	24,398
Sales volume – cement (<i>in thousand tonnes</i>)	28,422	24,558
Sales volume – clinker (<i>in thousand tonnes</i>)	4,129	5,571
Average selling price – cement (<i>RMB per tonne</i>)	346.2	354.6
Average selling price – clinker (<i>RMB per tonne</i>)	285.9	277.8
Sales volume – commercial concrete (<i>in thousand m³</i>)	22,846	18,901
Average selling price – commercial concrete (<i>RMB per m³</i>)	444.6	474.5

South Cement

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	49,783	42,916
Production volume – clinker (<i>in thousand tonnes</i>)	44,306	38,424
Sales volume – cement (<i>in thousand tonnes</i>)	48,287	41,258
Sales volume – clinker (<i>in thousand tonnes</i>)	8,469	7,383
Average selling price – cement (<i>RMB per tonne</i>)	353.8	353.0
Average selling price – clinker (<i>RMB per tonne</i>)	334.3	335.7
Sales volume – commercial concrete (<i>in thousand m³</i>)	24,127	22,919
Average selling price – commercial concrete (<i>RMB per m³</i>)	481.3	490.7

Business Highlights (Continued)

CEMENT SEGMENT (CONTINUED)

North Cement

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	5,690	6,454
Production volume – clinker (<i>in thousand tonnes</i>)	4,938	5,078
Sales volume – cement (<i>in thousand tonnes</i>)	5,567	6,313
Sales volume – clinker (<i>in thousand tonnes</i>)	1,106	937
Average selling price – cement (<i>RMB per tonne</i>)	336.1	260.5
Average selling price – clinker (<i>RMB per tonne</i>)	296.5	237.4
Sales volume – commercial concrete (<i>in thousand m³</i>)	1,346	1,240
Average selling price – commercial concrete (<i>RMB per m³</i>)	377.9	338.8

Southwest Cement

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	39,930	39,250
Production volume – clinker (<i>in thousand tonnes</i>)	33,446	33,182
Sales volume – cement (<i>in thousand tonnes</i>)	39,633	39,088
Sales volume – clinker (<i>in thousand tonnes</i>)	2,646	2,488
Average selling price – cement (<i>RMB per tonne</i>)	281.6	297.0
Average selling price – clinker (<i>RMB per tonne</i>)	234.4	246.7
Sales volume – commercial concrete (<i>in thousand m³</i>)	502	348
Average selling price – commercial concrete (<i>RMB per m³</i>)	258.3	316.5

Business Highlights (Continued)

CEMENT SEGMENT (CONTINUED)

Sinoma Cement

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	10,064	9,347
Production volume – clinker (<i>in thousand tonnes</i>)	10,356	8,581
Sales volume – cement (<i>in thousand tonnes</i>)	9,879	9,222
Sales volume – clinker (<i>in thousand tonnes</i>)	2,089	985
Average selling price – cement (<i>RMB per tonne</i>)	357.7	379.9
Average selling price – clinker (<i>RMB per tonne</i>)	319.9	324.5
Sales volume – commercial concrete (<i>in thousand m³</i>)	317	260
Average selling price – commercial concrete (<i>RMB per m³</i>)	451.5	474.9

Tianshan Cement

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	8,033	7,369
Production volume – clinker (<i>in thousand tonnes</i>)	8,378	7,656
Sales volume – cement (<i>in thousand tonnes</i>)	7,902	7,228
Sales volume – clinker (<i>in thousand tonnes</i>)	1,919	1,662
Average selling price – cement (<i>RMB per tonne</i>)	389.6	390.2
Average selling price – clinker (<i>RMB per tonne</i>)	289.5	261.9
Sales volume – commercial concrete (<i>in thousand m³</i>)	1,106	656
Average selling price – commercial concrete (<i>RMB per m³</i>)	368.7	379.9

Business Highlights (Continued)

CEMENT SEGMENT (CONTINUED)

Ningxia Building Materials

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	6,603	6,246
Production volume – clinker (<i>in thousand tonnes</i>)	5,558	5,249
Sales volume – cement (<i>in thousand tonnes</i>)	6,120	5,978
Sales volume – clinker (<i>in thousand tonnes</i>)	522	1,316
Average selling price – cement (<i>RMB per tonne</i>)	259.4	264.3
Average selling price – clinker (<i>RMB per tonne</i>)	204.7	173.2
Sales volume – commercial concrete (<i>in thousand m³</i>)	874	716
Average selling price – commercial concrete (<i>RMB per m³</i>)	326.2	320.8

Qilianshan

	For the six months ended 30 June	
	2021	2020
Production volume – cement (<i>in thousand tonnes</i>)	9,938	9,967
Production volume – clinker (<i>in thousand tonnes</i>)	8,115	7,537
Sales volume – cement (<i>in thousand tonnes</i>)	9,909	10,107
Sales volume – clinker (<i>in thousand tonnes</i>)	238	208
Average selling price – cement (<i>RMB per tonne</i>)	291.9	298.5
Average selling price – clinker (<i>RMB per tonne</i>)	216.3	231.1
Sales volume – commercial concrete (<i>in thousand m³</i>)	727	677
Average selling price – commercial concrete (<i>RMB per m³</i>)	384.2	390.8

Business Highlights (Continued)

NEW MATERIALS SEGMENT

BNBM

	For the six months ended 30 June	
	2021	2020
Gypsum board – BNBM		
Production volume (<i>in million m²</i>)	218.1	163.5
Sales volume (<i>in million m²</i>)	218.0	159.3
Average selling price (<i>RMB per m²</i>)	7.68	7.24
Gypsum board – Taishan Gypsum		
Production volume (<i>in million m²</i>)	874.9	640.5
Sales volume (<i>in million m²</i>)	901.8	631.5
Average selling price (<i>RMB per m²</i>)	5.00	4.87

China Jushi

	For the six months ended 30 June	
	2021	2020
Glass fiber yarn		
Production volume (<i>in thousand tonnes</i>)	1,094	876
Sales volume (<i>in thousand tonnes</i>)	1,046	870
Average selling price (<i>RMB per tonne</i>)	5,572	4,229

Business Highlights (Continued)

NEW MATERIALS SEGMENT (CONTINUED)

Sinoma Science & Technology

	For the six months ended 30 June	
	2021	2020
Glass fiber yarn		
Production volume (<i>in thousand tonnes</i>)	413	381
Sales volume (<i>in thousand tonnes</i>)	405	360
Average selling price (<i>RMB per tonne</i>)	6,613	5,228
Wind power blade		
Production volume (<i>MW</i>)	5,355	4,488
Sales volume (<i>MW</i>)	4,554	4,588
Average selling price (<i>RMB per MW</i>)	666,883	710,124

China Composites

	For the six months ended 30 June	
	2021	2020
Wind power blade		
Production volume (<i>MW</i>)	2,262	2,080
Sales volume (<i>MW</i>)	2,037	1,851
Average selling price (<i>RMB per MW</i>)	768,100	801,264

Management Discussion and Analysis

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 or contract amount as at 30 June 2021), 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 wind power blade producer in the PRC;
- the largest glass fiber producer in the world;
- the largest cement engineering service provider in the world;
- the world's leading glass engineering service provider.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

In the first half of 2021, China's achievements in pandemic prevention and control and economic and social development continued to expand and consolidate, with major macroeconomic indicators being within a reasonable range and economic development showing a trend of steady consolidation and improvement. China's GDP in the first half of 2021 increased by 12.7% year on year, with an average growth rate of 5.3% for the past two years; fixed asset investments increased by 12.6% year on year, with an average growth rate of 4.4% for the past two years; infrastructure investments increased by 7.8% year on year, with an average growth rate of 2.4% for the past two years; the property development investments increased by 15.0% year on year, with an average growth rate of 8.2% for the past two years. The building materials industry experienced stable production, with improvement in efficiency.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

In the first half of 2021, the Group actively responded to various risks and challenges, solidly and effectively promoted various work, and presented the characteristics of “precision, practicality, detail and innovation”. In terms of operation, the Group continued to promote the “management of three delicacies” to safeguard the ecological health of the industry, comprehensively improve the operation quality, and accelerate the digital transformation while adhering to simplicity and streamlining. In terms of reform, the Group implemented the three year action plan for state-owned enterprise reform, made every effort to break through the key tasks of reform and improve the market-oriented operating mechanism. The Group also optimized the layout of state-owned capital, advanced the business integration in an orderly manner, successfully completed the full circulation of Shares and accelerated the preparation for the listing of technologically-reformed enterprises on the Sci-Tech Board. In terms of innovation, the Group strengthened the innovation-driven strategy with new achievement in science and technology work, and accelerated the industrialization of achievements; deepened green development, carried out carbon management, strengthened energy conservation and emission reduction; and improved the industrial structure, with accelerated transformation and upgrade of cement business, rapid development of new materials, consolidated and improved engineering and technical services. In terms of Party building, the Group solidly promoted the study and education of the Party history, continued the deep integration of Party building with operations, and transformed party-building advantages into governance effectiveness.

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 increased by 7.6% year on year to 177 million tonnes, the sales volume of commercial concrete increased by 13.4% year on year to 52 million cubic metres, the sales volume of aggregate increased by 30.0% year on year to 43 million tonnes, the sales volume of gypsum board increased by 40.5% year on year to 1,159 million square metres, the sales volume of glass fiber yarn increased by 18.0% year on year to 1.45 million tonnes and the sales volume of wind power blade increased by 2.4% year on year to 6,591 MW. The revenue from engineering services of the Group amounted to RMB20,677 million, representing a 31.4% increase year on year. The revenue of the Group amounted to RMB121,870 million, representing a 14.1% increase year on year. Profit attributable to equity holders of the Company amounted to RMB7,959 million, representing a 47.9% increase year on year.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment

Review of the cement industry in the PRC in the first half of 2021

In the first half of 2021, the national cement market showed the characteristics of high price level fluctuation adjustment. From January to April, fiscal policies continued to boost demand. The continuous heavy rainfall and increasing bulk commodity prices in May slowed the progress of some projects. In the first half of the year, China still achieved a cement output of 1.147 billion tonnes, representing an increase of 14.1% year on year, with an average growth rate of approximately 4.2% for the past two years. In terms of supply, the cement industry has effectively implemented peak shifting production, self-discipline among industry players, shut down of outdated production facilities, promoted regional integration and optimization, maintained the ecological health of the industry, actively responded to market fluctuations, curbed the impact of the sharp rise in coal price, and maintained stable benefits.

Guided by the dual-carbon objectives, the cement industry has furthered the promotion of the supply-side structural reform. The MIIT amended the Measures on Capacity Replacement in the Cement and Glass Industry to clarify measures such as increasing the proportion of capacity replacement, identifying strict index and linking with peak shifting production, which was officially implemented on 1 August 2021. MEE reported the problems of poor control of cement projects in Guangxi, continuous expansion of production capacity and cross provincial production capacity replacement in Hunan through environmental protection supervision. The Shandong Provincial Department of Ecology and Environment took the lead to put forward a timetable for integrated withdrawal from the small-scale cement clinker production line, which strongly promoted the substantive pace to eliminate excessive capacity.

Review of the cement segment business of the Group in the first half of 2021

For the cement segment, the Group has promoted the supply-side structural reform, deeply practiced the business philosophy of “PCP”, co-built the ecology of the industry, and preserved a healthy ecosystem of the industry, strictly practiced peak shifting production and reduction replacement, shut down of outdated production facilities. The Group comprehensively promoted the “Cement+” strategy, steadily promoted the optimization and upgrade projects, accelerated the commercial concrete and aggregates business layout, and continuously optimized the mine resources reserves, promoting integration and optimization. The business integration of the cement sector has made substantial progress to form a benign interaction of business synergy, mutual promotion and resource sharing; promoted the green development, reduced carbon emission, implemented the dual-carbon goal and accelerated the green transformation.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

China United Cement

China United Cement has accelerated the supply-side structural reform, implemented peak shifting production to continuously strengthen the construction of industry health mechanism and maintain the ecological health of the industry; utilised the advantages of the industrial chain through the integrated operation of clinker, cement, commercial concrete and aggregates in order to enhance customer loyalty and stabilize market share; and steadily promoted and expanded strategic cooperation with large enterprise groups to further expand the market share of key projects.

Multiple measures were taken to reduce cost, improve production and operation efficiency and the effective utilization rate of rotary kilns. China United Cement further promoted centralized procurement and continuously increased the procurement of direct coal supply; enhanced financial synergy and reduced financial expenses; promoted the integration of traditional industries and Internet marketing; and strengthened the information construction with an online operation of commercial concrete EBC system to achieve commercial concrete companies' procurement, production, sales and other aspects of automatic control.

China United Cement reorganized Henan Tongli Cement, tamped and improved the construction of core profit zone, and created a new ecology of Henan cement industry. Adhering to the business development idea of “developing cement, optimizing commercial concrete, expanding aggregates and practicing comprehensive utilization”, China United Cement continued to promote the “Cement+” strategy, and steadily promoted the advantages of layout and structural adjustment, while advancing the concept of green development, strengthening carbon asset development and management cooperation and reducing gas emissions.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

South Cement

South Cement continued to promote the supply-side structural reform and organized peak shifting production, the management and control of clinker resources and north-south market docking. Combined with the dynamics of market supply and demand, South Cement actively balanced the market, stabilized the market share, strengthened market construction and channel construction, stabilized the large terminals and basic market shares, and expanded the sales volume of key projects.

South Cement strengthened the strategic procurement and centralized bidding and purchasing management while focusing on the procurement management of direct coal supply, and increasing the amount of strategic contracts; and implemented hierarchical management of centralized procurement, carried out internal allocation and collaborative procurement of limestone, sand shale and other resources for better strategic cooperation with steel mills, power plants and chemical enterprises. South Cement further promoted the pilot of lean production and total productive maintenance for the construction of clean factories, green factories and beautiful factories, with a continuously reduction in product energy consumption and improvement in on-site management and production efficiency. The commercial concrete business was improved by the construction of operation management system.

South Cement orderly promoted the construction of cement optimization and upgrade projects, continuously optimized the layout of commercial concrete, and accelerated the planning and construction of aggregate production base and supporting terminals; and sped up the pilot of intelligence and production informatization with a focus on the pilot of intelligent factories, such as Huaikan South, and built the first demonstration zone of 5G intelligent mine in Hunan Province.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

North Cement

North Cement firmly implemented the policy of “normal off-peak suspension” in the off-season, actively organized orderly shipping sales, and effectively alleviated the excess pressure; promoted equity cooperation in Liaoning and maintain the industry ecology; and unified the control of bidding for large projects to stabilize market share.

North Cement strengthened benchmarking management, basic management and material procurement management to reduce cost and increase efficiency as well as to improve enterprise management level; and comprehensively promoted the construction of green mines, expanded mine reserves, and orderly practiced the comprehensive utilization of stripped materials.

Southwest Cement

Southwest Cement continued to promote the supply-side structural reform, orderly advanced peak shifting production with reasonable control in production capacity, and balanced development along the market recovery to ensure the ecological stability of the industry. Southwest Cement also focused on key projects to optimize marketing channels and stabilize the regional market.

Southwest Cement continued to advance lean production, adjusted the production plan in a flexible manner, optimized overhaul programmes and performed technical innovation, as well as continued to improve the production operation capacity, market supply capacity, and on-site management level for reduction of energy consumption. It also strengthened the ability of material supply with full implement of digital management and control mode for effective standardization of the material procurement process; and adhered to the market-oriented employment mechanism with streamline of the structure, optimization of posts, strict control in the number of employees. Enterprises implemented customized policies to stick to improve the labor productivity of all employees.

Southwest Cement accelerated the optimization and upgrading of the whole industrial chain. Green intelligent cement production line project has been put into operation and the production and operation of “Cement+” project was gradually in place. Jiahua Research Institute was optimized to deepen the combination of production and research. The enhanced special cement innovation helped to boost high-end development, while low heat cement helped Baihetan Hydropower Station to build a “seamless dam”, so as to stabilize the leading role of hydraulic and oil well cement industry.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

Sinoma Cement

Sinoma Cement closely followed the changes in regional markets, made every effort to stabilize the price, expand the volume and maintain the share. Zambia Industrial Park reinforced the “2+3” marketing strategy and steadily improved its market share and profitability.

According to the deployment of “benchmarking leading management enhancement”, Sinoma Cement devoted to quality and effectiveness of dedicate management, and continuously optimized the accurate benchmarking system of all elements. The fine technical management was improved to promote energy conservation and consumption reduction, while centralized fund control helped to boost quality and efficiency, and centralized logistics procurement to reduce cost and expenditure. The construction of financial integration platform for bidding and procurement improved the level of intensive, standardized and information-based procurement.

The “Cement +” helped optimization and upgrading, the construction of prefabricated construction components project and sludge disposal project in an orderly manner, while site selection measurement, market research and other preliminary work were carried out for the hazardous waste project. Sinoma Cement focused on the research in carbon capturing technology with TCDRI to promote the construction of CO₂ self-enrichment centralized pilot system of Sinoma Luoding sintering system and the development and application of full-capture of pure process design scheme.

Tianshan Cement

Tianshan Cement resolutely implemented peak shifting production and the business philosophy of “PCP” and maintained the ecological order of the industry; increased market research and analysis, adjusted the sales strategy in time according to market changes, and combined with the stage characteristics of different regions to implement marketing strategies to ensure optimal matching of volume and price.

Tianshan Cement focused on benchmarking leading management enhancement and implemented refined management to all aspects of production, operation, management and development; built a “business division + manufacturing plant” organizational management structure, compressed the management level, and realized organizational refinement; and continuously built a cost-leading production system, and gave full play of the advantages of scale and professionalism to control costs.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

Tianshan Cement (Continued)

The reorganization and integration of the cement business sector have made substantial progress. Tianshan Cement continued to promote the business development of “Cement+” and industrial optimization and upgrade, and the pilot project of intelligent transformation was carried out steadily. Practicing the concept of green and low-carbon development and actively promoting the construction of green factories and green mines, Tianshan Cement made full use of the technical advantages of collaborative disposal of cement kilns for better comprehensive utilization business.

Ningxia Building Materials

Ningxia Building Materials continued to implement peak shifting production, maintained and promoted the healthy development of the industry ecology; made analysis on market changes to consolidate market share and stabilize growth.

The implementation of the “Cement+” strategy deeply integrated intelligence, digitization and second-generation cement technology, promoting industrial technology upgrade and the implementation of the dual carbon objectives. The application of digitalization expanded the intelligent logistics business with a significant increase in the market share of cementing materials and high-end products, which enhanced the added value of products and competitive strength. Ningxia Building Materials created six “sharing platforms” of “manufacturing, procurement and marketing, logistics, warehouse, safety and finance” and built “sharing plants” and “light tower plants” for resource coordination.

Saima IOT was officially listed in the “Double Hundred Enterprise Pilot Enterprise” under SASAC, completed capital contribution and carried out co-investment incentive for innovative business projects. “Finding Car”, the core intelligent logistics platform of Saima IOT, completed the iterative upgrade of version 2.0 and was released it to comprehensively improve the service quality and efficiency, orderly launched business and payment settlement.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

Qilianshan

Qilianshan focused on building a solid foundation for supply-side structural reform, strictly implemented peak shifting production, and actively maintained the ecological health of the regional cement industry. According to market changes, Qilianshan flexibly adjusted marketing strategies, implemented policies based on enterprises, and established strategic cooperation with high-quality customers to stabilize market share.

Qilianshan carried out in-depth “benchmarking leading” to further refine the multi-dimensional three-level management benchmarking evaluation system and continuously highlight the efficiency of fine management; and adhered to furthering the reform for further improvement of the reform organization guarantee system and the organization mechanism day by day. Innovation and transformation were steadily advanced. The construction of cloud platform was preliminarily optimized, and the e-procurement transaction platform, Qilianshan Mall and ERP completed cloud testing with steady improvement of the lean operation ability.

The “Cement+” strategy was steadily promoted and the industrial development layout was continuously optimized to stabilize the stock and develop increment with overall consideration. Qilianshan drove the construction of digital enterprises with innovation, practiced the concept of green development, empowered production with science and technology and transformed to green intelligence.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

New Materials Segment

BNBM

BNBM has adhered to its value management, consolidated its core competitiveness and profit advantage, and fully implemented the “2422” reduction target, resulting in a significant year-on-year increase in the production and sales volume of its main products.

BNBM pushed forward the development strategy of “one body, two wings and global layout” steadily and built brand matrix to fully cover customers. The gypsum board business leveraged its brand scale advantage, improved its industrial layout and steadily promoted overseas investment; deepened the integration of the waterproofing business by establishing the unified operation of a waterproofing business platform and reorganising Shanghai Terra Industrial Group Co., Ltd. It has brands such as Yuwang, Shuyang, Jinmuzhi and Yuehuang, and brings the number of its national industry bases up to 12; based on the integration of the existing coating business, it established the coating business platform, further pushing the new establishment and mergers and acquisitions in the coating business.

BNBM continuously integrated and optimized the personnel structure, and realised the goal of “50-men factories, 80-men bases” at 10 gypsum board bases; continuously improved the ability of independent innovation, and carried out the research and development of the first domestic automatic edge keel packaging machine for a super-large production line of gypsum board with an annual output of 120 million square meters; vigorously pushed forward “near-zero emission” of production lines and accelerated digital construction to empower intelligent, green and low-carbon growth.

China Jushi

China Jushi responded to the market demand, so as to ensure that structural adjustment boosted efficiency; comprehensively increased the proportion of high-end, high value-added products, achieved high production and full sales, prices and profits increase as well as double growth of coarse and spun yarn, and hit a record high in production and sales volume over the same period in history.

China Jushi focused on practical effects in its R&D innovation, continuously optimized and improved the performance of ultra-high modulus E9 glass formulations and the competitiveness of E7, E8 and spun yarn electronic fabric formulations; successfully developed a number of new products to help explore new markets in new areas and enhance high-end market competitiveness.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

New Materials Segment (Continued)

China Jushi (Continued)

China Jushi accelerated the progress of intelligent manufacturing and 4 glass fiber production line at Tongxiang headquarters intelligent manufacturing base was successively put into production; accelerated the pace of automation, digitalization, intelligent construction at domestic and overseas production bases, reached a new high in production efficiency, and further reduced the comprehensive cost; made every effort to promote the transformation and upgrade of green manufacturing, and successively implemented the “Dual Controls” management of carbon emissions, with obvious results in revenue increase, costs saving and consumption reduction.

Sinoma Science & Technology

In terms of wind power blade business, which was under the technology-driven guidance, Sinoma Science & Technology continued to improve the speed of new product iterations and further optimized and upgraded the product structure; deeply explored customer needs, comprehensively improved product competitiveness and sustainable delivery capability and further stabilized the leading position in the domestic market; promoted the all-round improvement of the operation index and management mechanism by establishing the index system; made new progress in the key core technology of the leading industry, and successfully launched the 85.8m-long all-glass blade which was independently designed and developed.

In terms of glass fiber business, Sinoma Science & Technology seized the opportunity of market booming, gave full play to the advantages of product structure, adjusted the production and sales structure, maximized the production capacity of high value-added products, and achieved increase of major products in both volume and price, and significant improvement in productivity and profitability; actively explored the existing kiln capacity, accelerated the construction of the comprehensive utilization project of glass fiber waste yarn, and further reduced the unit production cost; and made new breakthroughs in key core technologies. The thin electronic cloth has been mass-produced. Ultra-thin electronic cloth series are currently tested and verified by customers, and the research and development of 5G electronic cloth has achieved important results. Sinoma Science & Technology increased medium and long-term incentives and Beijing FRP Institute has implemented equity incentives.

In terms of lithium diaphragm business, Sinoma Science & Technology advanced the production and operation, business integration and project construction simultaneously with three-wheel drive to form a unified decision-making operation platform; seized the industry opportunities to actively explore international customers and achieve sales year-on-year growth of sales of more than 100%; adhered to promote the research and development of new products, deploy coating technologies such as oily mixed coating and spraying, coating capacity and coating product reserves, and continuously increase the proportion of high value-added products; accelerated digitization and intelligent construction, realized the localization of control systems of Tengzhou Phase II project, and started the layout of the new base of 1 billion square meters in Nanjing.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

New Materials Segment (Continued)

China Composites

China Composites continued to optimize its industrial layout, and promoted industrial transformation and upgrading; grasped the “2422” reduction and improved the overall quality of operation according to the key contents such as quality and efficiency improvement, organizational process optimization, and revenue increase, cost saving and consumption reduction; steadily strived for progress in operation, had sufficient orders for its main products and achieved booming situation in both production and sales.

China Composites accelerated scientific research and technology research, made positive progress in high molecular weight polymers with T1100 grade high-performance carbon fiber, and passed customer application verification in the aviation field applicability evaluation with T800 grade carbon fiber. The self-developed special functional materials were successfully developed on the “thin felt+” test line at one time, and the products filled the domestic gap. The high-end reverse osmosis membrane (RO) and element production line used in market including water treatment and material separation achieved technological breakthroughs, putting the products on the market by batches. Zhongfu Shenying’s IPO on the Sci-Tech Innovation Board was accepted by the Shanghai Stock Exchange.

China Composites continued to advance in the project constructions, performed trial-produce on the first phase of Xining 10,000-ton carbon fiber base with a capacity of 6,000 tonnes, passed the acceptance of Lianyungang 1,000-ton carbon fiber intelligent manufacturing new model application project, completed the feasibility study, budgetary approval and preliminary design of the 8MW+ offshore wind power blade project, and successfully put into operation the first phase of high-end reverse osmosis membrane and components project with an annual capacity of 4 million square meters.

Sinoma Advanced

Sinoma Advanced deeply implemented the management concept of “PCP” and continued to promote the “management of three delicacies”.

Sinoma Advanced continued to make breakthrough in its core technology, made great progress in the small batch production of nitride ceramic fiber precursors, fiber spinning technology, fiber mechanical properties enhancement and other engineering technologies; made continuous breakthroughs in the production process of silicon nitride ceramic products and improvement in its production volume, took the lead in China to achieve the batch production of G3 grade silicon nitride ceramic fine ball, and passed the certification of many well-known companies domestic and abroad and achieved mass supply.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

New Materials Segment (Continued)

Sinoma Advanced (Continued)

Sinoma Advanced actively cooperated with domestic institutes and enterprises to enhance the effectiveness of scientific and technological achievements in multiple fields. Sinoma Advanced worked with the Chinese Academy of Sciences Ningbo Institute of Materials and other units to jointly carry out solid fuel cell technology development and manufacturing; cooperated with medical units to build a demonstration full-process production line from product design to product production; and actively promoted the industrialization of high thermal conductivity silicon nitride ceramic substrates, nitride fibers, ceramic membranes and other scientific and technological achievements.

Engineering Services Segment

Sinoma International

Sinoma International actively coped with multiple challenges such as the spread of overseas epidemic, rising raw material prices and fluctuation of RMB exchange rate, achieved substantial growth in both domestic and overseas newly signed contracts.

Sinoma International deeply integrated into the new development pattern of “Dual Circulation”, actively expanded the business related to cement EPC industry chain, realized the online operation of the whole value chain in intelligent projects such as Yushan South, and further consolidated the advantages of the main business of cement technology and equipment and engineering services; deeply cultivated the localized operation, experienced substantial growth in the newly-signed diversified contracts, smoothly progressed the battery diaphragm project in Vietnam, the calcium silicate board project in Nigeria and the logistics park project in Tanzania; accelerated the transformation and upgrading of digital and intelligent, continuously improved technological innovation capabilities, and built a whole-process intelligent manufacturing plant with Shangrao Sinoma as the pilot, which increased the per capita production capacity by more than two times; actively responded to the “carbon peak and carbon neutral”, formulated Sinoma International carbon emission reduction technology roadmap, and proposed a multi-path technology plan for carbon emission reduction to lead the industry green development; and substantial progress has been made in business restructuring to improve the internal synergies.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Engineering Services Segment (Continued)

China Triumph

China Triumph innovated “cloud” office, “cloud” recruitment, “cloud” contracting, “cloud” bidding and other modes, overcame the huge impact of international epidemic on overseas project execution and international market development, and steadily promoted international development strategy with focus on the initiative of “One Belt, One Road”.

In terms of glass engineering, China Triumph reached the international advanced level in the R&D and application of intelligent cold-end technology and equipment of solar photovoltaic glass and high-quality float glass, independently developed the cadmium telluride power generation glass with the world’s highest conversion efficiency of 20.24%, and made a record in both the individual contract value and production capacity of the Indian project; in terms of new energy engineering, China Triumph further expanded the business of wind energy, ground photovoltaic power station and other aspects of business, become the largest general contractor for the construction of photovoltaic power plants in Europe; in terms of environmental protection and energy saving, China Triumph developed three main business segments, namely power generation, carbon dioxide capture and industrial intelligent operation and maintenance, won the first prize of national scientific and technological progress with the technology and application of multi-pollutant cooperative deep treatment of industrial flue gas; in terms of equipment manufacturing, while stabilizing the traditional glass equipment market, China Triumph actively transformed into the fields of new energy, new materials and new equipment, and strived to promote technological innovation and upgrading.

Sinoma Mining

Sinoma Mining focused on improving operating efficiency comprehensively, and continuously improved the quality of operation work by stabilizing price, improving quality and developing large customers within the Group; enhanced refined management in depth, and comprehensively improved the quality of operation by improving the quality of operation analysis, promoting centralized procurement, strengthening financial and risk control, and paying close attention to innovation drive; and continued to streamline the organizational structure, resulting in continuous improvement of operational quality.

Sinoma Mining has been practicing the two mountain theory, deepening green development, promoting ecological civilization construction, and striving to build green mines, while 43 mining service projects have been included in the selection list of national green mines and 31 in the selection list of provincial green mines; Sinoma Mining has been increasing its investment in scientific and technological research and development, and continuously improved the level of enterprise technological innovation, so as to lay a solid foundation for the implementation of intelligent and digital green mines.

Management Discussion and Analysis (Continued)

OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of 2021, China will continue to deepen its structural reform on the supply side, focus on releasing the potential of domestic demand and solidly promote high-quality development. From the international point of view, the development of the epidemic and economic situation are still complicated, with the uneven global economic recovery; From the domestic point of view, the macroeconomic policies will maintain continuity, stability and sustainability, and economic operations will maintain steady progress; From the industry point of view, the extensive and profound economic and social systemic changes brought by carbon peak and carbon neutral will put forward higher requirements for the green development of basic building materials such as cement, have a significant impact on the rapid development of new materials industry, as well as bring new opportunities for engineering services segment.

The Group will adhere to the general keynote of seeking progress in a stable manner, and adhere to the main line of supply-side structural reform, and strengthen the following tasks in operation management, development quality, reform and innovation in accordance with the requirements of the being based on new development stage, implementing new development concept, building new development pattern and promoting high-quality development:

Firstly, the Company will strengthen its operation management. In terms of improving operating efficiency, it will promote “guarantee” with “surge” and stabilize the market share with rise in price to ensure profitability. In terms of enhancing refined management, it will promote “increase” with “reduction”, reduce costs and increase efficiency, continue to carry out bench-marking first-class management improvement actions, and promote institutionalization, process-oriented and standardization. In terms of streamlining the organizational structure, it will promote “stability” with “reduction”, and adhere to the principle of prudence, and streamline the organization and personnel.

Secondly, it will strengthen development quality. In terms of cement, it will make continuous breakthroughs in optimization and upgrading, support the “+” development, coordinate the promotion of the layout and development of cement, commercial mix, aggregate and PC components, and improve the capabilities and advantages of the industrial chain; accelerate the construction of smart factories and green factories, intensify coordination processing and resource comprehensive utilization, and advance the upgrade of industrial base and modernization of the industrial chain. In terms of new materials, it will make continuous breakthroughs in the “three-in-one batches”, make good efforts on a batch of mature products, consolidate the world’s leading position; accelerate the efforts on a batch of growing, products, and expand the scale of business; and intensify efforts on a batch of incubating products with increasing investment in technology. In respect of engineering and technical services, it will continue to make breakthroughs in consolidation and improvement, help Dual Circulation with global thinking, and intensify efforts in localization and appropriate diversification on the basis of consolidating traditional advantages.

Management Discussion and Analysis (Continued)

Thirdly, it will strengthen reform and innovation. It will steadily promote business integration according to the principle of refocusing, build a professional operation platform, and enhance profitability and value creativity. It will actively deepen reform and innovation, fully implement the three-year action of state-owned enterprise reform, and actively explore the establishment of market-oriented incentive mechanism, and enhance corporate cohesion and vitality. It will strengthen the basic and applied research, maintain technological leadership, and accelerate the transformation of results. It will implement the double carbon target, use resources efficiently, and strengthen technology research and application to drive green transformation with technological breakthroughs.

FINANCIAL REVIEW

The unaudited revenue of the Group increased by 14.1% from RMB106,803.7 million for the six months ended 30 June 2020 to RMB121,870.4 million for the six months ended 30 June 2021. Unaudited profit attributable to equity holders increased by 47.9% from RMB5,380.6 million for the six months ended 30 June 2020 to RMB7,958.8 million for the six months ended 30 June 2021.

Revenue

Our revenue for the six months ended 30 June 2021 amounted to RMB121,870.4 million, representing an increase of 14.1% from RMB106,803.7 million for the six months ended 30 June 2020. This was primarily due to an increase of RMB6,567.7 million in the revenue of the cement segment, an increase of RMB4,825.3 million in the revenue of the new materials segment, an increase of RMB2,743.7 million in the revenue of the engineering services segment.

Cost of sales

Our cost of sales for the six months ended 30 June 2021 amounted to RMB91,519.6 million, representing an increase of 17.9% from RMB77,630.1 million for the six months ended 30 June 2020. This was primarily due to an increase of RMB6,889.3 million in the cost of sales of the cement segment, an increase of RMB2,762.3 million in the cost of sales of the engineering services segment, an increase of RMB2,340.6 million in the cost of sales of the new materials segment.

Other income

Other income of the Group for the six months ended 30 June 2021 amounted to RMB1,624.3 million, representing a decrease of 31.4% from RMB2,367.3 million for the six months ended 30 June 2020. This was primarily due to a decrease of RMB791.6 million in gain on disposal of property, plant and equipment and other assets, a decrease of RMB62.9 million in the government grants, but was partially offset by the increase of RMB73.8 million in the VAT returns.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Selling and distribution costs

Selling and distribution costs increased by 13.8% to RMB2,334.0 million for the six months ended 30 June 2021 from RMB2,051.7 million for the six months ended 30 June 2020. This was primarily due to the increase of RMB462.1 million in labor costs, but was partially offset by the decrease of RMB38.9 million in depreciation of fixed assets.

Administrative expenses

Administrative expenses decreased by 12.2% to RMB10,101.6 million for the six months ended 30 June 2021 from RMB11,505.5 million for the six months ended 30 June 2020. This was primarily due to the decrease of RMB1,161.5 million in allowances for impairment of goodwill, the decrease of RMB958.8 million in allowances for impairment of property, plant and equipment, but was partially offset by the increase of RMB835.0 million in R & D expenses and the increase of RMB293.7 in labor costs.

Finance costs

Finance costs decreased by 14.3% to RMB3,272.4 million for the six months ended 30 June 2021 from RMB3,818.7 million for the six months ended 30 June 2020, mainly due to the decrease in borrowing costs of the Group.

Share of profit of associates

The Group's share of profit of associates increased by 45.6% to RMB1,855.7 million for the six months ended 30 June 2021 from RMB1,274.6 million for the six months ended 30 June 2020, primarily due to an increase in the profit of China Jushi of the associates of the Group.

Provision under expected credit losses

The provision under expected credit losses decreased by 65.0% to RMB697.4 million for the six months ended 30 June 2021 from RMB1,994.9 million for the six months ended 30 June 2020

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Income tax expense

Income tax expense increased by 12.2% to RMB4,205.9 million for the six months ended 30 June 2021 from RMB3,749.4 million for the six months ended 30 June 2020, mainly due to the increase in the profit before tax.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 27.7% to RMB4,855.4 million for the six months ended 30 June 2021 from RMB3,801.1 million for the six months ended 30 June 2020. This was primarily due to the increase in operating profit of the new materials segment, cement segment and the engineering services segment of the Group.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 47.9% to RMB7,958.8 million for the six months ended 30 June 2021 from RMB5,380.6 million for the six months ended 30 June 2020. Net profit margin increased to 6.5% for the six months ended 30 June 2021 from 5.0% for the six months ended 30 June 2020.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment

China United Cement

Revenue

Revenue of China United Cement increased by 9.7% to RMB22,468.0 million for the six months ended 30 June 2021 from RMB20,475.4 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of cement products and commercial concrete, which was partially offset by the decrease in the average selling price of cement products and commercial concrete.

Cost of sales

Cost of sales of China United Cement increased by 17.3% to RMB18,336.2 million for the six months ended 30 June 2021 from RMB15,635.2 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of cement products and commercial concrete and the increase in coal price.

Gross profit and gross profit margin

Gross profit of China United Cement decreased by 14.6% to RMB4,131.8 million for the six months ended 30 June 2021 from RMB4,840.2 million for the six months ended 30 June 2020. Gross profit margin of China United Cement decreased from 23.6% for the six months ended 30 June 2020 to 18.4% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly due to the decrease in the average selling price of cement products and commercial concrete and the increase in coal price.

Operating profit

Operating profit of China United Cement increased by 22.7% to RMB2,177.8 million for the six months ended 30 June 2021 from RMB1,775.4 million for the six months ended 30 June 2020. Operating profit margin of China United Cement increased from 8.7% for the six months ended 30 June 2020 to 9.7% for the six months ended 30 June 2021. The increase in operating profit margin was primarily due to the decrease in allowances for impairment of property, plant and equipment and accounts receivable, the increase in the VAT refund, but was partially offset by the decrease in gross profit margin, the increase in R&D expenses and the decrease in net gain from the changes in fair value of financial assets at fair value through profit or loss.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

South Cement

Revenue

Revenue of South Cement increased by 11.8% to RMB31,825.7 million for the six months ended 30 June 2021 from RMB28,472.9 million for the six months ended 30 June 2020, mainly attributable to the increase in the average selling price of cement products and the increase in the sales volume of cement products and commercial concrete, which was partially offset by the decrease in the average selling price of commercial concrete.

Cost of sales

Cost of sales of South Cement increased by 17.1% to RMB23,111.6 million for the six months ended 30 June 2021 from RMB19,734.2 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of cement products and commercial concrete and the increase in coal price.

Gross profit and gross profit margin

Gross profit of South Cement decreased by 0.3% to RMB8,714.1 million for the six months ended 30 June 2021 from RMB8,738.7 million for the six months ended 30 June 2020. Gross profit margin of South Cement decreased from 30.7% for the six months ended 30 June 2020 to 27.4% for the six months ended 30 June 2021. This was mainly attributable to the decrease in the average selling price of commercial concrete and the increase in coal price, but partially offset by the increase in the average selling price of cement products.

Operating profit

Operating profit of South Cement increased by 3.8% to RMB6,455.5 million for the six months ended 30 June 2021 from RMB6,219.1 million for the six months ended 30 June 2020. Operating profit margin for the South Cement decreased from 21.8% for the six months ended 30 June 2020 to 20.3% for the six months ended 30 June 2021. The decrease in operating profit margin was primarily due to the decrease in gross profit margin and the decrease in gain from disposal of assets and the increase in R&D expenses, but partially offset by the decrease in the allowances for impairment of goodwill and property, plant and equipment.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

North Cement

Revenue

Revenue of North Cement increased by 18.4% to RMB2,707.6 million for the six months ended 30 June 2021 from RMB2,287.1 million for the six months ended 30 June 2020, 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, which was partially offset by the decrease in the sales volume of cement products.

Cost of sales

Cost of sales of North Cement decreased by 0.7% to RMB2,087.9 million for the six months ended 30 June 2021 from RMB2,102.1 million for the six months ended 30 June 2020, mainly attributable to the decrease in the sales volume of cement products, which was partially offset by the increase in the sales volume of commercial concrete and the increase in coal price.

Gross profit and gross profit margin

Gross profit of North Cement increased by 235.1% to RMB619.7 million for the six months ended 30 June 2021 from RMB185.0 million for the six months ended 30 June 2020. Gross profit margin of North Cement increased from 8.1% for the six months ended 30 June 2020 to 22.9% for the six months ended 30 June 2021, mainly attributable to the increase in the average selling price of cement products and commercial concrete, which was partially offset by the the increase in coal price.

Operating profit

Operating profit of North Cement increased to RMB309.7 million for the six months ended 30 June 2021 from RMB-617.2 million for the six months ended 30 June 2020. Operating profit margin of North Cement increased from -27.0% for the six months ended 30 June 2020 to 11.4% for the six months ended 30 June 2021, primarily due to the increase in the gross profit margin, the increase in the VAT refund. and the decrease in allowances for impairment of property, plant and equipment and accounts receivable.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Southwest Cement

Revenue

Revenue of Southwest Cement decreased by 3.4% to RMB11,912.3 million for the six months ended 30 June 2021 from RMB12,332.1 million for the six months ended 30 June 2020, mainly attributable to the decrease in the average selling price of cement products and commercial concrete, which was partially offset by the increase in the sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of Southwest Cement increased by 11.6% to RMB9,924.9 million for the six months ended 30 June 2021 from RMB8,889.4 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of cement products and commercial concrete and the increase in coal price.

Gross profit and gross profit margin

Gross profit of Southwest Cement decreased by 42.3% to RMB1,987.4 million for the six months ended 30 June 2021 from RMB3,442.7 million for the six months ended 30 June 2020. Gross profit margin of Southwest Cement decreased from 27.9% for the six months ended 30 June 2020 to 16.7% for the six months ended 30 June 2021, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the increase in coal price.

Operating profit

Operating profit of Southwest Cement decreased by 36.8% to RMB930.6 million for the six months ended 30 June 2021 from RMB1,471.4 million for the six months ended 30 June 2020. Operating profit margin of the Southwest Cement decreased from 11.9% for the six months ended 30 June 2020 to 7.8% for the six months ended 30 June 2021, mainly attributable to the decrease in the gross profit margin, which was partially offset by the decrease in allowances for the impairment of goodwill and property, plant and equipment.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Sinoma Cement

Revenue

Revenue of Sinoma Cement increased by 10.5% to RMB4,376.0 million for the six months ended 30 June 2021 from RMB3,959.7 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of cement products and commercial concrete, partially offset by the decrease in the average selling price of cement products and commercial concrete.

Cost of sales

Cost of sales of Sinoma Cement increased by 14.0% to RMB2,833.3 million for the six months ended 30 June 2021 from RMB2,485.9 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of cement products and commercial concrete and the increase in coal price.

Gross profit and gross profit margin

Gross profit of Sinoma Cement increased by 4.7% to RMB1,542.6 million for the six months ended 30 June 2021 from RMB1,473.9 million for the six months ended 30 June 2020. Gross profit margin of Sinoma Cement decreased from 37.2% for the six months ended 30 June 2020 to 35.3% for the six months ended 30 June 2021, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the increase in coal price.

Operating profit

Operating profit of Sinoma Cement increased by 10.1% to RMB1,335.3 million for the six months ended 30 June 2021 from RMB1,212.3 million for the six months ended 30 June 2020. Operating profit margin of Sinoma Cement decreased from 30.6% for the six months ended 30 June 2020 to 30.5% for the six months ended 30 June 2021. The decrease in operating profit margin was primarily due to the decrease in gross profit margin, but partially offset by the decrease in allowances for impairment of accounts receivable.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Tianshan Cement

Revenue

Revenue of Tianshan Cement increased by 15.3% to RMB4,041.3 million for the six months ended 30 June 2021 from RMB3,504.8 million for the six months ended 30 June 2020, mainly attributable to the increase in the average selling price of cement products and and the increase in the sales volume of cement products and commercial concrete, partially offset by the decrease in the average selling price of commercial concrete.

Cost of sales

Cost of sales of Tianshan Cement increased by 20.2% to RMB2,693.6 million for the six months ended 30 June 2021 from RMB2,240.2 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of cement products and commercial concrete and the increase in coal price.

Gross profit and gross profit margin

Gross profit of Tianshan Cement increased by 6.6% to RMB1,347.7 million for the six months ended 30 June 2021 from RMB1,264.6 million for the six months ended 30 June 2020. Gross profit margin of Tianshan Cement decreased from 36.1% for the six months ended 30 June 2020 to 33.3% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly due to the decrease in the average selling price of commercial concrete and the increase in coal price, but partially offset by the increase in the average selling price of cement products.

Operating profit

Operating profit of Tianshan Cement increased by 5.5% to RMB1,073.1 million for the six months ended 30 June 2021 from RMB1,017.3 million for the six months ended 30 June 2020. Operating profit margin of Tianshan Cement decreased from 29.0% for the six months ended 30 June 2020 to 26.6% for the six months ended 30 June 2021. The decrease in operating profit margin was primarily due to the decrease in gross profit margin and the increase in R&D expenses, but partially offset by the decrease in allowances for impairment of accounts receivable.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Ningxia Building Materials

Revenue

Revenue of Ningxia Building Materials increased by 4.9% to RMB2,224.9 million for the six months ended 30 June 2021 from RMB2,120.9 million for the six months ended 30 June 2020, mainly attributable to the increase in the average selling price of cement products and commercial concrete and the sales volume of commercial concrete, partially offset by the decrease in sales volume of cement products.

Cost of sales

Cost of sales of Ningxia Building Materials increased by 7.7% to RMB1,633.0 million for the six months ended 30 June 2021 from RMB1,516.3 million for the six months ended 30 June 2020, mainly attributable to the increase in sales volume of commercial concrete and the coal price, partially offset by the decrease in sales volume of cement products.

Gross profit and gross profit margin

Gross profit of Ningxia Building Materials decreased by 2.1% to RMB591.9 million for the six months ended 30 June 2021 from RMB604.6 million for the six months ended 30 June 2020. Gross profit margin of Ningxia Building Materials decreased from 28.5% for the six months ended 30 June 2020 to 26.6% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly due to the increase in coal price, partially offset by the increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of Ningxia Building Materials decreased by 7.7% to RMB502.8 million for the six months ended 30 June 2021 from RMB545.0 million for the six months ended 30 June 2020. Operating profit margin of Ningxia Building Materials decreased from 25.7% for the six months ended 30 June 2020 to 22.6% for the six months ended 30 June 2021. The decrease in operating profit margin was primarily due to the decrease in gross profit margin, the decrease in the VAT returns and government grants, and the increase in R&D expenses.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Qilianshan

Revenue

Revenue of Qilianshan decreased by 2.9% to RMB3,241.3 million for the six months ended 30 June 2021 from RMB3,339.0 million for the six months ended 30 June 2020, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the decrease in the sales volume of cement products, partially offset by the increase in sales volume of commercial concrete.

Cost of sales

Cost of sales of Qilianshan increased by 4.8% to RMB2,202.2 million for the six months ended 30 June 2021 from RMB2,100.9 million for the six months ended 30 June 2020, mainly attributable to the increase in sales volume of commercial concrete and coal price, partially offset by the decrease in sales volume of cement products.

Gross profit and gross profit margin

Gross profit of Qilianshan decreased by 16.1% to RMB1,039.0 million for the six months ended 30 June 2021 from RMB1,238.1 million for the six months ended 30 June 2020. Gross profit margin of Qilianshan decreased from 37.1% for the six months ended 30 June 2020 to 32.1% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly due to the decrease in the average selling price of cement products and commercial concrete and the increase in coal price.

Operating profit

Operating profit of Qilianshan decreased by 19.2% to RMB736.3 million for the six months ended 30 June 2021 from RMB910.7 million for the six months ended 30 June 2020. Operating profit margin of Qilianshan decreased from 27.3% for the six months ended 30 June 2020 to 22.7% for the six months ended 30 June 2021. The decrease in operating profit margin was primarily due to the decrease in gross profit margin, partially offset by the decrease in allowances for the impairment of accounts receivable and the increase in net gain from the changes in the fair value of financial assets at fair value through profit or loss and the increase in the VAT refund.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment

BNBM

Revenue

Revenue of BNBM increased by 44.5% to RMB9,745.9 million for the six months ended 30 June 2021 from RMB6,743.4 million for the six months ended 30 June 2020, mainly attributable to the increase in the average selling price of gypsum board and the increase in sales volume of gypsum board and waterproof roll, partially offset by the decrease in the average selling price of waterproof roll.

Cost of sales

Cost of sales of BNBM increased by 40.7% to RMB6,683.4 million for the six months ended 30 June 2021 from RMB4,750.6 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of gypsum board and waterproof roll.

Gross profit and gross profit margin

Gross profit of BNBM increased by 53.7% to RMB3,062.4 million for the six months ended 30 June 2021 from RMB1,992.8 million for the six months ended 30 June 2020. Gross profit margin of BNBM increased to 31.4% for the six months ended 30 June 2021 from 29.6% for the six months ended 30 June 2020, mainly attributable to the increase in the average selling price of gypsum board, partially offset by the decrease in the average selling price of waterproof roll and the increase in the price of raw materials and coal.

Operating profit

Operating profit of BNBM increased by 80.0% to RMB2,058.5 million for the six months ended 30 June 2021 from RMB1,143.3 million for the six months ended 30 June 2020. Operating profit margin of BNBM increased from 17.0% for the six months ended 30 June 2020 to 21.1% for the six months ended 30 June 2021, mainly attributable to the increase in gross profit margin, the increase in income from VAT refund, government grants and trademark use rights, partially offset by the increase in R&D expenses.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment (Continued)

Sinoma Science & Technology

Revenue

Revenue of Sinoma Science & Technology increased by 22.7% to RMB9,171.3 million for the six months ended 30 June 2021 from RMB7,474.9 million for the six months ended 30 June 2020, mainly attributable to the increase in the average selling price and the sales volume of glass fiber yarn, partially offset by the decrease in the average selling price and the sales volume of wind power blade.

Cost of sales

Cost of sales of Sinoma Science & Technology increased by 13.7% to RMB6,207.6 million for the six months ended 30 June 2021 from RMB5,460.9 million for the six months ended 30 June 2020, mainly attributable to the increase in the sales volume of glass fiber yarn, partially offset by the decrease in sales volume of wind power blade.

Gross profit and gross profit margin

Gross profit of Sinoma Science & Technology increased by 46.2% to RMB2,963.7 million for the six months ended 30 June 2021 from RMB2,026.9 million for the six months ended 30 June 2020. Gross profit margin of Sinoma Science & Technology increased to 32.3% for the six months ended 30 June 2021 from 27.1% for the six months ended 30 June 2020, mainly attributable to the increase in the average selling price of glass fiber yarn, partially offset by the decrease in the average selling price of wind power blade.

Operating profit

Operating profit of Sinoma Science & Technology increased by 87.0% to RMB2,415.3 million for the six months ended 30 June 2021 from RMB1,291.9 million for the six months ended 30 June 2020. The operating profit margin of Sinoma Science & Technology increased to 26.3% for the six months ended 30 June 2021 from 17.3% for the six months ended 30 June 2020, mainly attributable to the increase in gross profit margin and asset disposal income, partially offset by the increase in R&D expenses and the decrease in VAT refund and government grants.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment (Continued)

China Composites

Revenue

Revenue of China Composites decreased by 3.8% to RMB2,036.6 million for the six months ended 30 June 2021 from RMB2,117.4 million for the six months ended 30 June 2020, mainly attributable to the decrease in revenue from the glass fiber mats business by RMB150.7 million, partially offset by the increase of RMB32.4 million in revenue from the floor coil business and increase of RMB17.4 million in revenue from wind power blade.

Cost of sales

Cost of sales of China Composites decreased by 3.4% to RMB1,614.4 million for the six months ended 30 June 2021 from RMB1,671.9 million for the six months ended 30 June 2020, mainly attributable to the decrease in the cost of sales of the glass fiber mats business by RMB164.3 million, partially offset by the increase of RMB66.7 million in the cost of sales of wind power blade and increase of RMB25.9 million in the cost of sales of the floor coil business.

Gross profit and gross profit margin

Gross profit of China Composites decreased by 5.2% to RMB422.1 million for the six months ended 30 June 2021 from RMB445.5 million for the six months ended 30 June 2020. Gross profit margin of China Composites decreased to 20.7% for the six months ended 30 June 2021 from 21.0% for the six months ended 30 June 2020, mainly attributable to the decrease in the average selling price of wind power blade.

Operating profit

Operating profit of China Composites decreased by 16.4% to RMB192.8 million for the six months ended 30 June 2021 from RMB230.6 million for the six months ended 30 June 2020. The operating profit margin of China Composites decreased to 9.5% for the six months ended 30 June 2021 from 10.9% for the six months ended 30 June 2020, mainly attributable to the decrease in the gross profit margin and the government grants, the increase in allowance for impairment of accounts receivable and R&D expenses.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment (Continued)

Sinoma Advanced

Revenue

Revenue of Sinoma Advanced increased by 52.5% to RMB690.0 million for the six months ended 30 June 2021 from RMB452.5 million for the six months ended 30 June 2020, mainly attributable to the increase in average selling price and sales volume of solar-energy fused silica crucibles.

Cost of sales

Cost of sales of Sinoma Advanced increased by 40.7% to RMB529.9 million for the six months ended 30 June 2021 from RMB376.7 million for the six months ended 30 June 2020, mainly attributable to the increase in sales volume of solar-energy fused silica crucibles.

Gross profit and gross profit margin

Gross profit of Sinoma Advanced increased by 111.0% to RMB160.1 million for the six months ended 30 June 2021 from RMB75.9 million for the six months ended 30 June 2020. Gross profit margin of Sinoma Advanced increased to 23.2% for the six months ended 30 June 2021 from 16.8% for the six months ended 30 June 2020, mainly attributable to the increase in the gross profit margin of solar-energy fused silica crucibles and nitrides.

Operating profit

Operating profit of Sinoma Advanced increased by 398.0% to RMB71.4 million for the six months ended 30 June 2021 from RMB14.3 million for the six months ended 30 June 2020. The operating profit margin of Sinoma Advanced increased to 10.3% for the six months ended 30 June 2021 from 3.2% for the six months ended 30 June 2020, mainly attributable to the increase in gross profit margin and government grants, the decrease in the allowances for impairment of accounts receivable, partially offset by the increase in R&D expenses.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Engineering services segment

Sinoma International

Revenue

Revenue of Sinoma International increased by 28.7% to RMB11,834.5 million for the six months ended 30 June 2021 from RMB9,192.1 million for the six months ended 30 June 2020, mainly attributable to the increase in completed construction services in the period.

Cost of sales

Cost of sales of Sinoma International increased by 28.6% to RMB10,038.8 million for the six months ended 30 June 2021 from RMB7,807.5 million for the six months ended 30 June 2020, 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 29.7% to RMB1,795.7 million for the six months ended 30 June 2021 from RMB1,384.6 million for the six months ended 30 June 2020. Gross profit margin of Sinoma International increased to 15.2% for the six months ended 30 June 2021 from 15.1% for the six months ended 30 June 2020, mainly attributable to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma International increased by 41.8% to RMB765.9 million for the six months ended 30 June 2021 from RMB540.0 million for the six months ended 30 June 2020. Operating profit margin of Sinoma International increased to 6.5% for the six months ended 30 June 2021 from 5.9% for the six months ended 30 June 2020, mainly attributable to the increase in gross profit margin the decrease in allowances for impairment of accounts receivable, partially offset by the increase in exchange losses, the decrease in gains on disposal of subsidiaries.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Engineering services segment (Continued)

China Triumph

Revenue

Revenue of China Triumph increased by 34.7% to RMB6,182.7 million for the six months ended 30 June 2021 from RMB4,590.2 million for the six months ended 30 June 2020, mainly attributable to the increase in completed construction services in the period.

Cost of sales

Cost of sales of China Triumph increased by 40.0% to RMB4,845.0 million for the six months ended 30 June 2021 from RMB3,460.4 million for the six months ended 30 June 2020, 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 18.4% to RMB1,337.7 million for the six months ended 30 June 2021 from RMB1,129.8 million for the six months ended 30 June 2020. Gross profit margin of China Triumph decreased to 21.6% for the six months ended 30 June 2021 from 24.6% for the six months ended 30 June 2020, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of China Triumph decreased by 6.1% to RMB553.7 million for the six months ended 30 June 2021 from RMB589.3 million for the six months ended 30 June 2020. Operating profit margin of China Triumph decreased to 9.0% for the six months ended 30 June 2021 from 12.8% for the six months ended 30 June 2020, mainly attributable to the decrease in gross profit margin, the increase in exchange losses, the increase in allowances for impairment of accounts receivable and R&D expenses, partially offset by the increase in government grants.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Engineering services segment (Continued)

Sinoma Mining

Revenue

Revenue of Sinoma Mining increased by 35.4% to RMB2,892.1 million for the six months ended 30 June 2021 from RMB2,135.4 million for the six months ended 30 June 2020, mainly attributable to the increase in completed construction services and the sales volume of aggregate in the period, partially offset by the decrease in the average selling price of aggregate.

Cost of sales

Cost of sales of Sinoma Mining increased by 35.2% to RMB2,361.6 million for the six months ended 30 June 2021 from RMB1,746.8 million for the six months ended 30 June 2020, mainly attributable to the increase in completed construction services and the sales volume of aggregate in the period.

Gross profit and gross profit margin

Gross profit of Sinoma Mining increased by 36.5% to RMB530.6 million for the six months ended 30 June 2021 from RMB388.6 million for the six months ended 30 June 2020. Gross profit margin of Sinoma Mining increased to 18.3% for the six months ended 30 June 2021 from 18.2% for the six months ended 30 June 2020, mainly attributable to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma Mining increased by 10.6% to RMB252.1 million for the six months ended 30 June 2021 from RMB228.0 million for the six months ended 30 June 2020. Operating profit margin of Sinoma Mining decreased to 8.7% for the six months ended 30 June 2021 from 10.7% for the six months ended 30 June 2020, mainly attributable to the decrease in government grants, the increase in allowances for impairment of accounts receivable and R&D expenses, partially offset by the increase in gross profit margin.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources

As at 30 June 2021, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB318,940.0 million in total.

The table below sets out our borrowings as at the dates shown below:

	As at 30 June 2021	As at 31 December 2020
	<i>(RMB in millions)</i>	
Bank loans	124,890.5	115,781.9
Bonds	59,954.2	57,751.8
Borrowings from non-financial institutions	1,998.8	1,536.2
Total	186,843.5	175,069.9

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

	As at 30 June 2021	As at 31 December 2020
	<i>(RMB in millions)</i>	
Borrowings are repayable as follows:		
Within one year or on demand	94,834.0	89,684.3
Between one and two years	24,748.7	29,822.7
Between two and three years	44,110.2	36,685.1
Between three and five years(inclusive of both years)	13,919.6	12,340.4
Over five years	9,231.0	6,537.4
Total	186,843.5	175,069.9

As at 30 June 2021, bank loans in the aggregate amount of RMB1,812.6 million were secured by assets of the Group with a total amount of RMB10,966 million. As at 30 June 2021 and 31 December 2020, the debt to assets ratio of the Group, calculated by dividing total borrowings by total assets of the Group, were 38.2% and 38.4%, respectively.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Exchange risks

The Group conducts its domestic business primarily in RMB. However, overseas engineering projects and product export business 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 2021	As at 31 December 2020
	<i>(RMB in millions)</i>	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	2,582.9	1,068.2

Future plans for material investments or capital assets

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

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Capital expenditures

The following table sets the our capital expenditures of the Group for the six months ended 30 June 2021 by segment:

	For the six months ended 30 June 2021	
	(RMB in millions)	% of total
Cement	10,641.8	70.3
Commercial concrete	1,073.0	7.1
New materials	2,653.9	17.6
Engineering services	646.3	4.3
Others	106.2	0.7
Total	15,121.2	100.0

CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 30 June 2021, net cash inflow of the Group generated from operating activities was RMB15,766.6 million. Such net cash inflow was primarily due to RMB26,746.9 million of cash flow from operating activities before the change in working capital, while trade and other payables increased by RMB7,364.5 million, yet partially offset mainly due to an increase of RMB11,256.2 million in trade and other receivables and an increase of RMB3,604.3 million in inventories.

CASH FLOW FROM INVESTING ACTIVITIES

For the six months ended 30 June 2021, net cash outflow of the Group to investing activities was RMB16,753.0 million, which was primarily due to the purchase of property, plant and equipment amounting to RMB12,994.2 million in total and purchase of intangible assets amounting to RMB4,223.1 million.

CASH FLOW FROM FINANCING ACTIVITIES

For the six months ended 30 June 2021, the Group had a net cash outflow to financing activities amounting to RMB1,652.3 million, primarily attributable to the repayment of borrowings amounting to RMB64,756.4 million, payment of interest amounting to RMB3,308.9 million and repayment of dividends amounting to RMB7,799.7 million, which was partially offset by a total of RMB74,494.5 million for new borrowings.

Significant Events

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

At the annual general meeting of the Company held on 14 May 2021, the Company declared a final dividend of RMB3,964,342,211.14 in total (tax inclusive) for the period from 1 January 2020 to 31 December 2020 for Shareholders whose names appeared on the register of members of the Company on 26 May 2021, representing RMB0.470 per Share (tax inclusive).

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021.

MATERIAL TRANSACTIONS

Establishment of a Joint Venture – Variation to the Terms of the Shareholders Agreement and its Supplementary Agreement

Reference is made to the announcements of the Company dated 27 September 2019 and 27 December 2019 in relation to the entering of a shareholders' agreement between China United Cement (a wholly-owned subsidiary of the Company) and Henan Investment Group Co., Ltd. ("Henan Investment Group") for the establishment of the joint venture, Henan China United Tongli material Co., Ltd. ("Henan China United").

On 24 May 2021, China United Cement and Henan Investment Group entered into the Amended and Restated Cooperation Agreement afresh, whereby China United Cement will, by injecting its equity interests in some of its subsidiaries, contribute RMB6,000 million (representing 60% of the registered capital of Henan China United) to the registered capital of Henan China United; Henan Investment Group will, by injecting the re-valuated injected assets, contribute RMB4,000 million (representing 40% of the registered capital of Henan China United) to the registered capital of Henan China United. The proportion of the value of those assets to be injected to the registered capital by the parties, which exceeds the respective registered capital contribution subscribed by each party, will be recognized as Henan China United's capital reserve. In order to make the parties' contribution to Henan China United's capital reserve in proportionate to the parties' contribution to Henan China United's registered capital, China United Cement will pay a corresponding amount in cash to make up its contribution to Henan China United's capital reserve.

For details of establishment of Henan China United and variation to the terms of the shareholders agreement and its supplemental agreement, please refer to the Company's announcement dated 24 May 2021. As of the date of this report, the transaction has not been completed.

Significant Events (Continued)

MATERIAL TRANSACTIONS (CONTINUED)

Restructuring of Cement Assets

According to the indicative agreements entered into on 7 August 2020, (i) the Company sold its equity interest in China United Cement, South Cement, Southwest Cement and Sinoma Cement, all of which are subsidiaries of the Company, to Tianshan Cement; and (ii) Tianshan Cement acquired equity interests in South Cement or Southwest Cement (as the case may be) from certain minority shareholders (“Restructuring of Cement Assets”). On 2 March 2021, the Company entered into a supplemental agreement with Tianshan Cement to agree on the consideration of the transactions under the Restructuring of Cement Assets. The consideration shall be paid in the form of consideration shares issued by Tianshan Cement. On the same date, Tianshan Cement entered into a supplementary agreement with 25 minority shareholders of South Cement or Southwest Cement (as the case may be) to agree on the consideration of transactions under the Restructuring of Cement Assets. The consideration shall be paid in the form of consideration shares issued by Tianshan Cement and/or in cash. On 10 August 2021, the Company entered into a profit guarantee agreement with Tianshan Cement in connection with the Company’s provision of a profit guarantee to Tianshan Cement with respect to the Target Companies, in order to facilitate the smooth progression of the Restructuring. Upon completion, Tianshan Cement will remain as a subsidiary of the Company. The abovementioned indicative agreements and supplementary agreements will not take effect until the relevant effective conditions are fulfilled. On 25 August 2021, the China Securities Regulatory Commission’s review committee of mergers and acquisitions and restructuring by listed companies unconditionally approved the transactions contemplated under the Restructuring of Cement Assets. As of the date of this report, the completion has not yet been completed. Details of the transactions contemplated under the Restructuring of Cement Assets are set out in the Company’s announcements dated 24 July 2020, 7 August 2020, 2 March 2021, 23 March 2021, 10 August 2021 and the circular dated 4 March 2021.

Significant Events (Continued)

CONNECTED TRANSACTIONS

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 the Parent Group (excluding the Group) and the relevant exemptions, please refer to the Company's announcement dated 30 September 2019, the circular dated 23 October 2019, the announcement dated 9 December 2019, the 2019 annual report and the 2020 annual report.

Transactions with Parent Group

For the six months ended 30 June 2021, the Group's expenses incurred from its provision of minerals from the Parent Group amounted to RMB73.54 million, representing approximately 0.80% of total cost of sales of the Group for the same period. The Group's income from its provision of products and services to the Parent Group amounted to RMB1,747.04 million, representing approximately 19.09% of the total income of the Group for the same period. The Group's expenses incurred from its provision of products and services from the Parent Group amounted to RMB956.58 million, representing approximately 7.85% of total cost of sales of the Group for the same period. The Group's expenses incurred from its provision of equipment from the Parent Group amounted to approximately RMB133.95 million, representing approximately 1.46% of total cost of sales of the Group for the same period. The Group's income from its provision of construction services to the Parent Group amounted to RMB491.94 million, representing approximately 4.04% of the total income of the Group for the same period. The rental paid for leasing property from the Parent Group amounted to RMB0.65 million, representing approximately 0.0071% of the total cost of sales of the Group for the same period. The revenue from leasing property to the Parent Group amounted to RMB3.55 million, representing approximately 0.03% of the total income of the Group for the same period. The Company's maximum daily deposit balance deposited in the Finance Company amounted to approximately RMB9,908.05 million. The Group's expenses in respect of other financial services provided by the Finance Company amounted to RMB103,380.90.

Significant Events (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Partially Exempt Connected Transactions

For the six months ended 30 June 2021 and up to the date of this report, the following transactions constitute connected transactions of the Company and were exempt from independent Shareholders' approval requirements but were only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Restructuring of Cement Engineering Assets

According to the indicative agreements entered into on 30 October, 2020, (i) the Company, Building Materials Academy (a wholly-owned subsidiary of the Parent) and China Triumph (a subsidiary of the Company) sold their respective equity interests in Beijing Triumph, Nanjing Triumph and Sinoma Mining, all of which are subsidiaries of the Company, to Sinoma International (an A-share listed subsidiary of the Company); and (ii) Sinoma International acquired equity interests in Nanjing Triumph from 49 minority shareholders of Nanjing Triumph ("Restructuring of Cement Engineering Assets"). On 9 February 2021, the Company, Building Materials Academy and China Triumph entered into a supplemental agreement with Sinoma International to agree on the consideration of the transactions in connection therewith under the Restructuring of Cement Engineering Assets. The consideration shall be paid in the form of consideration shares issued by Sinoma International and/or in cash. On the same date, Sinoma International entered into a supplemental agreement with the aforementioned 49 minority shareholders of Nanjing Triumph to agree on the consideration of the transactions in connection therewith under the Restructuring of Cement Engineering Assets. The consideration shall be paid in cash. On 30 July 2021, Sinoma International entered into a second supplemental agreement with China Triumph and each of the Independent Sellers, respectively, to agree on the handling of an outstanding issue in relation to an investment of Nanjing Triumph. On the same date, the Company, Building Materials Academy and China Triumph entered into a third supplemental agreement with Sinoma International to agree on the amended clause in relation to profit or loss realised during the Transitional Period. Upon completion, Sinoma International shall remain as the subsidiary of the Company. The abovementioned indicative agreements and supplemental agreements will not take effect until the relevant effective conditions are fulfilled. On 18 August 2021, the China Securities Regulatory Commission's review committee of mergers and acquisitions and restructuring by listed companies conditionally approved the transactions contemplated under the Restructuring of Cement Engineering Assets, pursuant to which conditions Sinoma International disclosed the relevant information on 25 August 2021. As of the date of this report, the completion has not yet been completed. Details of the transactions contemplated under the Restructuring of Cement Engineering Assets are set out in the Company's announcements dated 17 October 2020, 19 October 2020, 30 October 2020, 9 February 2021 and 2 August 2021.

Significant Events (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Capital Contribution to China National Building Material Group Finance Co., Ltd.

On 26 March 2021, Sinoma Cement (a wholly-owned subsidiary of the Company) and Parent, being the shareholders of Finance Company (a subsidiary of Parent), entered into a capital contribution agreement, pursuant to which Sinoma Cement agreed to make a capital contribution to Finance Company in cash on a basis of RMB1.31/RMB1 of the registered capital. Sinoma Cement contributed RMB262,000,000, among which RMB200,000,000 shall be counted into the registered capital of Finance Company and the remaining amount shall be counted into the capital reserve of Finance Company. After the capital contribution, the registered capital of Finance Company shall increase from RMB1,000,000,000 to RMB1,200,000,000. Sinoma Cement and Parent made a capital contribution of RMB500,000,000 and RMB700,000,000 respectively. The shareholding ratios of Sinoma Cement and Parent in Finance Company were changed from 30% and 70% to 41.67% and 58.33%, respectively.

For details of the capital contribution to and the increase in the registered capital of Finance Company, please refer to the Company's announcement dated 26 March 2021. As of the date of this report, the transaction has been completed.

Significant Events (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Capital Contribution to China National Building Material (Shanghai) Aviation Technology Co., Ltd.

On 8 April 2021, CNBM United Investment (a wholly-owned subsidiary of the Parent), Sinoma Science & Technology (an non-wholly-owned subsidiary of the Company) and China Composites (a wholly-owned subsidiary of the Company) entered into a shareholders' agreement, pursuant to which, the parties agreed to establish the joint venture, China National Building Material (Shanghai) Aviation Technology Co., Ltd. ("CNBM Aviation"), of which CNBM United Investment, Sinoma Science & Technology and China Composites agreed to subscribe for RMB60 million, RMB25 million and RMB15 million, respectively. On 18 May 2021, CNBM United Investment, Sinoma Science & Technology and China Composites entered into a capital contribution agreement, pursuant to which, all parties agreed to make a capital contribution totaling RMB950 million to CNBM Aviation in cash in accordance with their respective shareholding on pro rata basis. Among them, CNBM United Investment, Sinoma Science & Technology and China Composites will make a capital contribution of RMB570 million, RMB237.5 million and RMB142.5 million, respectively. Upon completion of the said capital contribution, the registered capital of CNBM Aviation will increase from RMB100 million to RMB1,050 million. CNBM United Investment, Sinoma Science & Technology and China Composites have made a capital contribution of RMB630 million, RMB262.5 million and RMB157.5 million, respectively. Before and after the said capital contribution, the proportion of equity interest held by each of CNBM United Investment, Sinoma Science & Technology and China Composites in CNBM Aviation will remain unchanged, that is, CNBM United Investment, Sinoma Science & Technology and China Composites accounted for 60%, 25% and 15% of the registered capital of CNBM Aviation.

For details of the capital contribution to CNBM Aviation, please refer to the Company's announcement dated 18 May 2021. As of the date of this report, the transaction of capital contribution to China National Building Material (Shanghai) Aviation Technology Co., Ltd. has not been completed.

Significant Events (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Capital Contribution to Sinoma Lithium Membrane by China National Materials Group Corporation Ltd.

On 15 June 2021, China National Materials Group Co., Ltd. (“Sinoma Group”, a wholly-owned subsidiary of the Parent) and Sinoma Lithium Membrane (a subsidiary of the Company) entered into a debt-to-equity swap agreement, pursuant to which Sinoma Group agreed to make a capital contribution totaling RMB100 million to Sinoma Lithium Membrane by way of a debt-to-equity swap. Sinoma Lithium Membrane will increase its registered capital by RMB1,965.0310 million, and apart from the capital contribution by Sinoma Group by way of a debt-to-equity swap, other relevant parties will also make capital contributions to Sinoma Lithium Membrane by injecting equity assets. Sinoma Group’s creditor’s rights of RMB100 million over Sinoma Lithium Membrane will be swapped into a payment of RMB70.6065 million to the registered capital of Sinoma Lithium Membrane, and the proportion which exceeds the registered capital will be recognised in the capital reserve of Sinoma Lithium Membrane. Upon completion of the Capital Contribution, the registered capital of Sinoma Lithium Membrane will be RMB2,265.0310 million, and Sinoma Group will hold 3.12% equity interest in Sinoma Lithium Membrane.

For details of capital contribution to Sinoma Lithium Membrane by Sinoma Group, please refer to the Company’s announcement dated 15 June 2021. As of the date of this report, the transaction has been completed.

Establishment of BN New Material (Jinzhou) Company Limited

On 8 July 2021, Beijing New Waterproof Co., Ltd. (“BN Waterproof”), an indirect subsidiary of the Company, entered into a shareholders agreement with Tianlong New Material Co., Ltd. (“Tianlong New Material”), Keshun Waterproof Technologies Co., Ltd. (“Keshun”) and Jiangsu Canlon Building Materials Co., Ltd. (“Canlon”) pursuant to which the parties agreed to establish the joint venture, BN New Material (Jinzhou) Company Limited (“BN New Material”), in Jinzhou, Liaoning Province, the PRC. The registered capital of BN New Material is RMB300 million, of which BN Waterproof, Tianlong New Material, Keshun and Canlon agreed to subscribe for RMB210 million, RMB30 million, RMB30 million and RMB30 million, respectively, representing 70%, 10%, 10% and 10% of the registered capital of BN New Material, respectively.

For details of the establishment of BN New Material, please refer to the Company’s announcement dated 8 July 2021. As of the date of this report, the establishment of BN New Material has been completed.

Significant Events (Continued)

CORPORATE GOVERNANCE CODE

Except for code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”), the Company complied with the code provisions of the Code during the six months from 1 January 2021 to 30 June 2021. With respect to code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The current session of the Board was elected on 27 May 2016 which shall be subject to retirement by rotation by 27 May 2019. However, as it affects the entire Board of Directors, many factors must be considered to ensure the smooth continuation of the senior management of the Company. Therefore, with the exception of the following Directors, the remaining Directors of the current session of the Board have not retired by rotation.

Mr. Song Zhiping and Mr. Guo Chaomin, being the former Directors, have retired. At the 2017 annual general meeting of the Company held on 13 June 2018, Mr. Peng Jianxin was elected by the Shareholders as an executive Director, and Ms. Xu Weibing, Mr. Shen Yungang and Ms. Fan Xiaoyan were elected as non-executive Directors. Mr. Peng Jianxin resigned as the vice chairman of the Company and the executive Director on 30 July 2019 due to his retirement. Ms. Xu Weibing resigned as a non-executive Director due to her retirement. The resignation took effect since the appointment of Ms. Zhan Yanjing as a non-executive Director was approved at the extraordinary general meeting of the Company held on 9 December 2019. Mr. Qian Fengsheng resigned as an independent non-executive Director due to personal reasons. The resignation took effect after the approval of the appointment of Mr. Li Jun as an independent non-executive Director at the annual general meeting of the Company held on 22 May 2020. Mr. Fu Jinguang was elected as an executive Director by the Shareholders at the 2020 First Extraordinary General Meeting held on 24 September 2020.

SPECIAL COMMITTEES UNDER THE BOARD

The Strategic Steering Committee

The Company has established a strategic steering committee which comprises three Directors, including two executive Directors and one independent non-executive Director. The strategic steering committee is responsible for studying and reviewing the Company’s operation objectives and long-term development strategies, business and organisational 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 for the year of 2020, proposals relating to the working arrangement in 2021 and proposal on the adjustment of the Company’s structure.

Significant Events (Continued)

SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

Nomination Committee

The Company has established a nomination committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the nomination committee are in compliance with the provisions of the Code. The nomination committee is responsible for, among other things, the annual review of the structure, size and composition of the Board (in terms of techniques, knowledge and experience) as directed by the board diversity policy, 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 the appointment of Directors and senior management, and reviewing the qualifications and conditions of Directors and senior management. During the Reporting Period, the nomination committee has reviewed and approved five proposals in total, including 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, the appointment of General Counsel of the Company and the adjustment of directors and supervisors of subsidiaries.

Remuneration and Performance Appraisal Committee

The Company has established a remuneration and performance appraisal committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the remuneration and performance appraisal committee are in compliance with the provisions of the Code. The remuneration and performance appraisal committee is responsible for recommending the specific remuneration and reviewing the performance of the Directors and senior management, based on the remuneration and performance appraisal management policies and framework pertaining to Directors and senior management which have been formulated by the Board. During the Reporting Period, the remuneration and performance appraisal committee has reviewed the total remuneration of the senior management members of the Company for 2020.

Significant Events (Continued)

SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

Audit Committee

The Company has established an audit committee which comprises three Directors, including three independent non-executive Directors, one of whom possesses the 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. During the Reporting Period, the audit committee has listened to the work report of the secretariat of the Board on the intersessional work of the committee, the audit department's internal audit work summary for the year 2020 and report on the work plan for the year 2021, the report of the audit work in financial report for the year 2020, and the report of the management on the operation management and business development for the year 2020, and reviewed the appointment of auditors for the year 2021, the determination of the annual audit fee for the year 2020, the 2020 annual report and the 2021 interim report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to properly master its strategic direction, refine its daily management and tighten the control over risk exposures, the Company has made efforts to explore the establishment of an integrated management platform for risk, internal control and compliance work, for which the Company has established an internal control system for construction and supervision organization and a compliance management committee, developed a series of management systems suitable for the actual situation of the Company and established the relevant internal control defect identification standards and risk assessment standards. Each department of the Company is the participating and responsible department for the daily monitoring, evaluation and supervision mechanism; the internal control system construction and supervision organization and the compliance management committee are the daily organizations that play a role in leading, coordinating and supervising in the monitoring mechanism; the audit committee under the Board regularly listens to the professional audit and internal audit reports, independently evaluates the Company's operation and management, business development and financial status, and examines the implementation of the Company's strategy, so as to promote the improvement of internal control, financial monitoring and risk management level.

In accordance with code provision C.2.1 of 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.

Significant Events (Continued)

MODEL CODE

The Company has adopted a set of code of practice on terms no less exacting than the standards as required under the Model Code. The code of practice also applies to the Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all the Directors and Supervisors 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 of 30 June 2021	
	Number of Shares	Percentage of issued Shares (%)
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

On 1 February 2021, the Company submitted an application (the “Application”) to the China Securities Regulatory Commission (“CSRC”) in respect of the conversion of certain of its domestic shares and unlisted foreign shares (collectively, the “Unlisted Shares”) into H shares (“H Shares”), and the shares directly and indirectly held by Parent would not participate in this conversion. Upon obtaining all the relevant approvals (including the approvals from the CSRC and the Stock Exchange) and having complied with all the applicable laws, regulations and rules, such Unlisted Shares would be converted into H Shares, and the Company would apply for the listing of and permission to deal in such H Shares on the Main Board of the Stock Exchange (the “Conversion and Listing”). On 26 April 2021, the Company received the official approval (the “Approval”) from the CSRC regarding the Application. Under the Approval, the Company is allowed to convert no more than 689,448,706 Unlisted Shares (representing approximately 8.17% of the total issued share capital of the Company) into H Shares which may be listed and traded on the Stock Exchange. The Company applied to the Stock Exchange for the listing of and permission to deal in such H Shares on the Main Board of the Stock Exchange, and the Listing Approval was granted by the Stock Exchange on 22 July 2021.

Significant Events (Continued)

SHARE CAPITAL STRUCTURE (CONTINUED)

The Conversion and Listing involved a total of seven participating holders of 689,448,706 Unlisted Shares who would, after the Conversion and Listing, hold approximately 15.13% of total issued H Shares of the Company.

The Company completed the conversion of 689,448,706 Unlisted Shares into H Shares on 9 August 2021. The listing of such converted H Shares on the Stock Exchange has commenced at 9:00 a.m. on 10 August 2021.

For details, please refer to the Company's announcements dated 1 February 2021, 26 April 2021, 22 July 2021 and 9 August 2021.

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

For the six months ended 30 June 2021, the Company and its subsidiaries had no purchase, sale or redemption of listed securities ("securities" having the meaning ascribed by the Listing Rules) of the Company.

MATERIAL LITIGATION AND ARBITRATION OF THE GROUP

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

Significant Events (Continued)

MATERIAL LITIGATION AND ARBITRATION OF THE GROUP (CONTINUED)

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 BNBK, relating to the gypsum board incident in the United States and the information on subsequent development of the gypsum board litigation in the United States 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 interim report, the announcement dated 22 March 2018, the 2017 annual report, the announcement dated 22 August 2018, the 2018 interim report, the announcement dated 19 March 2019, the 2018 annual report, the announcement dated 30 July 2019, the 2019 interim report, the 2019 annual report, the 2020 interim report and the 2020 annual report of the Company.

In August 2019, Taishan Gypsum and 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”), entered into a class settlement agreement (the “Settlement Agreement”) with the counsels acting for the plaintiff Settlement Class (the “Settlement”), and the procedure of the Settlement proceeded normally in accordance with the Settlement Agreement.

In May 2020, the district court in the U.S. issued a formal order ruling that the claims against Taishan and Additional Released Parties and that the Released Claims are released and barred from reviving, and that the claims brought by plaintiffs who opted out from the Settlement are not released and are reserved in the litigation. This order is the final procedure of the Settlement process, and the cases of the plaintiffs who did not opt out of the case against Taishan and Additional Released Parties have closed.

In the Settlement, a total of 90 plaintiffs opted out from the Settlement. As of the date of this report, the lawsuits of 15 plaintiffs have closed, and the lawsuits of the remaining 75 plaintiffs are still ongoing.

Other than the multi-district combined litigation to which the Settlement relates, there were also lawsuits initiated by constructors and suppliers, among which the case of The Mitchell Co., Inc. against Knauf Gips KG has been settled and the settlement amount has been paid, while the other cases will continue. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further disclosure if and when necessary or appropriate.

Significant Events (Continued)

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2021, the Group had approximately 156,341 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 based on duties and responsibilities, while bonus is performance-based and linked to the overall economic performance of the Company.

The Company endeavors to provide training to its employees. On-job training and continuous training plans include management skills and technical training, overseas exchange schemes and other courses. The Company also encourages employees to self-study.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chang Zhangli replaced Mr. Peng Shou as the president of the Company and was re-designated from a non-executive Director to an executive Director of the Company since 27 August 2021. Mr. Yu Kaijun, Secretary of the Board, has served concurrently as the General Counsel of the Company since 26 March 2021.

Save as disclosed above, no other changes have taken place among the Directors, Supervisors and senior management of the Company during the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Mr. Sun Yanjun, an independent non-executive Director, has ceased to be the CEO of C.M. Capital Advisors (HK) Limited since July 2021.

Mr. Li Xinhua, the shareholder Supervisor, has been the chairman of CNBM Aviation since April 2021.

Mr. Li Xuan, an independent Supervisor, has been serving as an independent director of Beijing Yandong Microelectronics Co., Ltd. since March 2021.

Significant Events (Continued)

EQUITY INCENTIVE PLAN

On 6 December 2017, China National Materials Co., Ltd. at its extraordinary general meeting reviewed and approved a share option incentive plan (the “Equity Incentive Plan”) of Sinoma International (whose A shares are traded on the Shanghai Stock Exchange (stock code: 600970)).

On 7 December 2017, the share options (“Sinoma International Share Option”) for a total of 17,424,500 ordinary A-shares of Sinoma International (“Sinoma International Share” accounts for approximately 1% of the total issued shares of Sinoma International), were granted by Sinoma International to 489 grantees under the Equity Incentive Plan. The participants who were granted Sinoma International Share Option were (i) a total of 3 Sinoma International directors, Song Shoushun, Xia Zhiyun and Jiang Zhongwen, to whom 320,000, 320,000 and 290,000 Sinoma International Share Options were granted, respectively, (ii) a total of 7 Sinoma International senior management, to whom 1,690,000 Sinoma International Share Options were granted in total, and (iii) a total of 479 key technical and management personnel, to whom 14,804,500 Sinoma International Share Options were granted in total. The exercise price of the Sinoma International Share Options was RMB9.27.

EQUITY INCENTIVE PLAN (CONTINUED)

Given three distributions of profit in May 2018, June 2019 and June 2020 respectively, in accordance with the relevant provisions for adjustment of the exercise price, the board of directors of Sinoma International resolved at a board meeting to change the exercise price under the equity incentive plan to RMB8.536/share. Due to the resignation, layoffs, retirement, death and other reasons, 26 grantees no longer meet the equity incentive conditions. The 654,280 options granted have been become invalid and recovered for free and cancelled by Sinoma International. After the adjustment, the number of the participants who were granted under the Equity Incentive Plan was changed from 489 to 463, and the number of Sinoma International’s share option granted was changed from 17,424,500 to 16,770,220.

Given that 463 incentive objects did not exercise their rights during the first exercise period (the exercise periods are shown in the table below), Sinoma International’s Board of Directors meeting held on 8 February 2021 approved the cancellation of a total of 5,589,931 unexercised shares of Sinoma International share option. At the same time, since 8 of the original 463 incentive objects have resigned or retired, which no longer met the requirement of equity incentive, the board of directors of Sinoma International approved the withdrawal and cancellation of a total of 343,336 unexercised shares of Sinoma International share option of the above 8 incentive objects for free. After the cancellation above, the number of incentive objects of Sinoma International’s Equity Incentive Plan changed from 463 to 455. In addition, the board of directors of Sinoma International approved that a total of 2,001 share options granted in the second exercise period were cancelled due to their incompliance with the exercise conditions. After the above adjustment and cancellation, the total number of shares of Sinoma International granted by the Sinoma Equity Incentive Plan but not yet exercised is changed from 16,770,220 as at 31 December 2020 to 10,834,952.

Significant Events (Continued)

In view of the 2020 annual profit distribution by Sinoma International in June 2021, and in accordance with the relevant provisions on the adjustment of the exercise price of the Equity Incentive Plan, Sinoma International's board meeting held on 6 July 2021 approved the adjustment of the exercise price of the Equity Incentive Plan from RMB8.536 per share to RMB8.306 per share.

As 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, the Equity Incentive Plan will remain valid until 6 December 2022.

EQUITY INCENTIVE PLAN (CONTINUED)

As at the date of this report, the exercise periods of the Sinoma International Share Options and the timing arrangement for each period are as follows:

Exercise arrangement	Timing arrangement	Exercise Proportion
1st exercise period	commencing from the first trading day after expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant	1/3
2nd exercise period	commencing from the first trading day after expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant	1/3
3rd exercise period	commencing from the first trading day after expiry of the 48-month period from the date of grant and ending on the last trading day of the 60-month period from the date of grant	1/3

The number of outstanding Sinoma International Share Options as at 1 January 2021 was 16,770,220, the number of outstanding Sinoma International Share Options at 30 June 2021 was 10,834,952.

Significant Events (Continued)

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 2021, the Shareholders (other than the Directors or the Supervisors) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending Pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital (%) ¹	Percentage of total share capital (%) ¹
Parent	Domestic Shares	Long	Beneficial owner	628,592,008			
	Domestic Shares	Long	Interest of controlled corporations	2,984,713,973			
				3,613,305,981	2	81.11	42.84
	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			
	Domestic Shares	Long	Other	227,719,530	3		
				1,713,286,486	2	38.46	20.31
Sinoma Parent	Domestic Shares	Long	Beneficial owner	1,270,254,437	2	28.51	15.06
Cinda	Domestic Shares	Long	Beneficial owner	286,651,926		6.43	3.40
Taishan Finance	Domestic Shares	Long	Interest of controlled corporations	263,318,181	4	5.91	3.12
Taishan Investment	Domestic Shares	Long	Beneficial owner	263,318,181	4	5.91	3.12

Significant Events (Continued)

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)

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending Pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital (%) ¹	Percentage of total share capital (%) ¹
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	5.11	2.70
BlackRock, Inc.	H Shares	Long	Interest of controlled corporations	241,088,102	5	6.23	2.85
	H Shares	Short	Interest of controlled corporations	3,948,000	5	0.10	0.04
Forchn International	Unlisted Foreign Shares	Long	Beneficial owner	111,174,235		100	1.32

Significant Events (Continued)

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 2021, 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 3,613,305,981 Shares, 628,592,008 Shares are directly held by the Parent, the remaining 2,984,713,973 Shares are deemed corporate interest indirectly held through BNBMG, Sinoma Parent, CNBM Trading 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. Under the SFO, the Parent is deemed to own the Shares directly held by BNBMG (1,485,566,956 Shares), Sinoma Parent (1,270,254,437 Shares), CNBM Trading (227,719,530 Shares) and Building Materials Academy (1,173,050 Shares).
3. BNBMG is taken to have an interest in such Shares as it is entitled to control the exercise of a right conferred by the holding of such Shares.
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.

Significant Events (Continued)

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. BlackRock, Inc. was deemed to hold interests in a total of 241,088,102 H Shares (long position) and 3,948,000 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 BlackRock Investment Management, LLC held 1,820,536 H Shares (long position) in the Company. BlackRock Investment Management, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..
 - 5.2 BlackRock Financial Management, Inc. held 2,856,000 H Shares (long position) in the Company. BlackRock Financial Management, Inc. was an indirect wholly-owned subsidiary of BlackRock, Inc..
 - 5.3 BlackRock Institutional Trust Company, National Association held 38,134,479 H Shares (long position) and 3,938,000 H Shares (short position) in the Company. BlackRock Institutional Trust Company, National Association was an indirect wholly-owned subsidiary of BlackRock Holdco 6, LLC, which in turn was indirectly held as to 90% by BlackRock, Inc..
 - 5.4 BlackRock Fund Advisors held 69,338,850 H Shares (long position) in the Company. BlackRock Fund Advisors was an indirect wholly-owned subsidiary of BlackRock Holdco 6, LLC, which in turn was indirectly held as to 90% by BlackRock, Inc..
 - 5.5 BlackRock Advisors, LLC held 3,688,000 H Shares (long position) in the Company. BlackRock Advisors, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..
 - 5.6 BlackRock Japan Co., Ltd. held 29,541,181 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..
 - 5.7 BlackRock Asset Management Canada Limited held 454,000 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 indirectly held as to 99.9% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

Significant Events (Continued)

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. (Continued)

- 5.8 BlackRock Investment Management (Australia) Limited held 1,461,750 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..
- 5.9 BlackRock Asset Management North Asia Limited held 2,821,765 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..
- 5.10 BlackRock (Netherlands) B.V. held 11,716,836 H Shares (long position) in the Company. BlackRock (Netherlands) B.V. was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..
- 5.11 BlackRock Asset Management Ireland Limited held 27,033,428 H Shares (long position) in the Company. BlackRock Asset Management Ireland Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..
- 5.12 BLACKROCK (Luxembourg) S.A. held 2,236,000 H Shares (long position) and 10,000 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 indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..
- 5.13 BlackRock Investment Management (UK) Limited held 10,598,504 H Shares (long position) in the Company. BlackRock Investment Management (UK) Limited was an indirect wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..
- 5.14 BlackRock Fund Managers Limited held 30,982,691 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 indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..

Significant Events (Continued)

DISCLOSURE OF INTERESTS (CONTINUED)

II. Interests and Short Positions of Directors and Supervisors

As at 30 June 2021, as far as the Company is aware, none of the Directors 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 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.

Report on Review of Condensed Consolidated Financial Statements

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 financial statements of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 90 to 164, which comprise the condensed consolidated statement of financial position as at 30 June 2021 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 other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, 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 financial statements are not prepared, in all material respects, in accordance with IAS 34.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Lo Wing See
Practising certificate number P04607

Hong Kong, 27 August 2021

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Revenue	5	121,870,394	106,803,662
Cost of sales		(91,519,567)	(77,630,123)
Gross profit		30,350,827	29,173,539
Investment and other income, net	6	1,624,320	2,367,293
Selling and distribution costs		(2,333,962)	(2,051,708)
Administrative expenses		(10,101,610)	(11,505,488)
Finance costs, net	7	(3,272,372)	(3,818,715)
Share of profits of associates		1,855,684	1,274,622
Share of losses of joint ventures		(392)	(2,193)
Impairment loss under expected credit loss model, net of reversal		(697,435)	(1,994,867)
Profit before income tax	8	17,425,060	13,442,483
Income tax expense	9	(4,205,930)	(3,749,359)
Profit for the period		13,219,130	9,693,124
Profit attributable to:			
Owners of the Company		7,958,795	5,380,640
Holders of perpetual capital instruments		404,964	511,424
Non-controlling interests		4,855,371	3,801,060
		13,219,130	9,693,124
		RMB	RMB
Earnings per share – basic and diluted	11	0.944	0.638

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (restated) (unaudited)
Profit for the period	13,219,130	9,693,124
Other comprehensive (expense)/income, net of tax:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit obligations	1,095	1,637
Changes in the fair value of equity instruments at fair value through other comprehensive income, net	(152)	(1,188)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(59,457)	52,798
Share of associates' other comprehensive income	13,301	49,308
Share of joint ventures' other comprehensive expense	(70)	(969)
Changes in fair value on hedging instruments designated as cash flow hedges	6,442	–
Other comprehensive (expense)/income for the period, net of tax	(38,841)	101,586
Total comprehensive income for the period	13,180,289	9,794,710
Total comprehensive income attributable to:		
Owners of the Company	7,944,470	5,473,317
Holders of perpetual capital instruments	404,964	511,424
Non-controlling interests	4,830,855	3,809,969
Total comprehensive income for the period	13,180,289	9,794,710

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(Expressed in Renminbi)

	Note	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Non-current assets			
Property, plant and equipment	12	181,540,647	172,384,689
Right-of-use assets	13	30,005,425	29,979,586
Investment properties		820,818	851,643
Goodwill	14	35,257,128	33,290,321
Intangible assets		23,653,669	19,074,130
Interests in associates	15	21,195,563	19,313,566
Interests in joint ventures		115,256	98,018
Financial assets at fair value through profit or loss	18	2,315,619	2,517,143
Financial assets at fair value through other comprehensive income		7,375	7,526
Deposits	16	5,354,276	4,075,507
Trade and other receivables	17	11,552,668	11,930,475
Deferred income tax assets		6,212,537	6,565,399
		318,030,981	300,088,003
Current assets			
Inventories		24,434,775	20,307,502
Trade and other receivables	17	106,126,698	93,103,925
Financial assets at fair value through profit or loss	18	4,873,307	6,166,752
Derivative financial instruments		4,995	16,148
Amounts due from related parties	30(b)	1,815,542	1,844,800
Pledged bank deposits	19	6,630,486	4,995,816
Cash and cash equivalents		26,964,230	29,721,666
		170,850,033	156,156,609
Assets classified as held-for-sale	20	69,941	195,843
		170,919,974	156,352,452

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2021

(Expressed in Renminbi)

	Note	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Current liabilities			
Trade and other payables	21	107,683,218	98,102,046
Amounts due to related parties	30(b)	4,327,948	4,748,403
Borrowings – amount due within one year	22	94,507,062	89,440,797
Lease liabilities		507,267	633,246
Derivative financial instruments		13,161	19,338
Employee benefits payable	23	1,259	1,564
Current income tax liabilities		3,688,322	4,774,046
Financial guarantee contracts		–	64,000
Dividends payable to non-controlling interests		852,239	313,879
		211,580,476	198,097,319
Net current liabilities		(40,660,502)	(41,744,867)
Total assets less current liabilities		277,370,479	258,343,136
Non-current liabilities			
Borrowings – amount due after one year	22	92,336,439	85,629,115
Deferred income		2,204,167	2,234,392
Lease liabilities		2,588,469	2,697,414
Employee benefits payable	23	230,983	240,878
Deferred income tax liabilities		2,979,889	2,333,848
		100,339,947	93,135,647
Net assets		177,030,532	165,207,489

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2021

(Expressed in Renminbi)

	<i>Note</i>	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Capital and reserves			
Share capital	24	8,434,771	8,434,771
Reserves		86,127,380	81,815,423
Equity attributable to:			
Owners of the Company		94,562,151	90,250,194
Holder of perpetual capital instruments		19,806,286	18,637,177
Non-controlling interests		62,662,095	56,320,118
Total equity		177,030,532	165,207,489

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

	Attributable to owners of the Company										Perpetual capital instruments	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Fair value reserve	Share option reserve	Hedging reserve	Exchange reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	8,434,771	1,788,736	12,225,192	9,460,104	(1,186)	11,929	(9,635)	(296,714)	58,626,904	90,240,101	18,637,177	56,303,532	165,180,810
As previously reported (audited)													
- Adjustment for business combination under common control (Note 27)	-	-	7,566	240	-	-	-	-	2,287	10,093	-	16,586	26,679
Balance at 1 January 2021, as restated (unaudited)	8,434,771	1,788,736	12,232,758	9,460,344	(1,186)	11,929	(9,635)	(296,714)	58,629,191	90,250,194	18,637,177	56,320,118	165,207,489
Profit for the period	-	-	-	-	-	-	-	-	7,958,795	7,958,795	404,964	4,855,371	13,219,130
Other comprehensive income/(expense), net of tax:													
Actuarial gain on defined benefit obligations (Note 23)	-	-	259	-	-	-	-	-	-	259	-	836	1,095
Currency translation differences	-	-	-	-	-	-	-	(30,287)	-	(30,287)	-	(29,170)	(59,457)
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(138)	-	-	-	-	(138)	-	(14)	(152)
Share of associates' other comprehensive income	-	-	(10,566)	-	-	-	-	23,867	-	13,301	-	-	13,301
Share of joint ventures' other comprehensive expense	-	-	(42)	-	-	-	-	-	-	(42)	-	(28)	(70)
Change in the fair value on hedging instruments designated as cash flow hedges	-	-	-	-	-	-	2,582	-	-	2,582	-	3,860	6,442
Total comprehensive income/(expense) for the period (unaudited)	-	-	(10,349)	-	(138)	-	2,582	(6,420)	7,958,795	7,944,470	404,964	4,830,855	13,180,289
Dividends paid (Note 10)	-	-	-	-	-	-	-	-	(3,964,342)	(3,964,342)	-	-	(3,964,342)
Dividends paid to the non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(4,373,741)	(4,373,741)
Disposal of subsidiaries (Note 25(b))	-	-	-	-	-	-	-	-	-	-	-	(6,911)	(6,911)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	277,278	277,278
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 25(a))	-	-	-	-	-	-	-	-	-	-	-	3,686,499	3,686,499
Decrease in non-controlling interests as result of acquisition of additional interests in subsidiaries without change in control (Note 26(a))	-	-	(248,469)	-	-	-	-	-	-	(248,469)	-	(702,573)	(951,042)
Deemed partial disposal of interests in subsidiaries without losing control (Note 26(b))	-	-	441,428	-	-	-	-	-	-	441,428	-	2,519,485	2,960,913
Appropriation to statutory reserve	-	-	-	782,173	-	-	-	-	(782,173)	-	-	-	-
Interest paid on perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(237,386)	-	(237,386)
Issue of perpetual capital instruments, net of issuance cost	-	-	-	-	-	-	-	-	-	-	2,992,820	-	2,992,820
Share of reserve in associates	-	-	59,349	-	-	-	-	-	-	59,349	-	301	59,650
Recognition of equity-settled share-based payments	-	-	-	-	-	535	-	-	-	535	-	800	1,335
Business combination under common control	-	-	(36,009)	-	-	-	-	-	-	(36,009)	-	-	(36,009)
Redemption of perpetual capital instruments	-	-	(8,711)	-	-	-	-	-	-	(8,711)	(1,991,289)	-	(2,000,000)
Others	-	-	125,069	-	-	-	-	-	(1,363)	123,706	-	109,984	233,690
Balance at 30 June 2021 (unaudited)	8,434,771	1,788,736	12,555,066	10,242,517	(1,324)	12,464	(7,053)	(303,134)	61,840,108	94,562,151	19,806,286	62,662,095	177,030,532

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

	Attributable to owners of the Company										Perpetual capital instruments	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Fair value reserve	Share option reserve	Hedging reserve	Exchange reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020													
As previously restated (audited)	8,434,771	1,788,736	12,071,447	7,185,250	(3,041)	9,722	(8,860)	(344,104)	51,316,812	80,450,733	20,785,279	49,777,281	151,013,293
- Adjustment for business combination under common control	-	-	1,399	609	-	-	-	-	7,867	9,875	-	16,231	26,106
Balance at 1 January 2020, as restated (unaudited)	8,434,771	1,788,736	12,072,846	7,185,859	(3,041)	9,722	(8,860)	(344,104)	51,324,679	80,460,608	20,785,279	49,793,512	151,039,399
Profit for the period (restated)	-	-	-	-	-	-	-	-	5,380,640	5,380,640	511,424	3,801,060	9,693,124
Other comprehensive income/(expense), net of tax:													
Actuarial gain on defined benefit obligations	-	-	229	-	-	-	-	-	-	229	-	1,408	1,637
Currency translation differences	-	-	-	-	-	-	-	44,805	-	44,805	-	7,993	52,798
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(1,081)	-	-	-	-	(1,081)	-	(107)	(1,188)
Share of associates' other comprehensive income	-	-	14,167	-	-	-	-	35,141	-	49,308	-	-	49,308
Share of joint ventures' other comprehensive expense	-	-	(584)	-	-	-	-	-	-	(584)	-	(385)	(969)
Total comprehensive income/(expense) for the period (restated)	-	-	13,812	-	(1,081)	-	-	79,946	5,380,640	5,473,317	511,424	3,809,969	9,794,710
Dividends paid (Note 10)	-	-	-	-	-	-	-	-	(2,952,170)	(2,952,170)	-	-	(2,952,170)
Dividends paid to the non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,549,394)	(2,549,394)
Disposal of subsidiaries (Note 25(b))	-	-	-	-	-	-	-	-	-	-	-	12,460	12,460
De-registration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,328	1,328
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	285,600	285,600
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 25(a))	-	-	-	-	-	-	-	-	-	-	-	132,554	132,554
Deemed partial disposal of interests in subsidiaries without losing control (Note 26(b))	-	-	18,709	-	-	-	-	-	-	18,709	-	1,128,872	1,147,581
Appropriation to statutory reserve	-	-	-	81,592	-	-	-	-	(81,592)	-	-	-	-
Interest paid on perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(206,010)	-	(206,010)
Issue of perpetual capital instruments, net of issuance cost	-	-	-	-	-	-	-	-	-	-	994,940	-	994,940
Share of reserve in associates	-	-	71,575	-	-	-	-	-	-	71,575	-	-	71,575
Recognition of equity-settled share-based payments	-	-	-	-	-	1,285	-	-	-	1,285	-	1,926	3,211
Others	-	-	167,301	(2,852)	-	-	-	-	1,953	166,402	-	(295,761)	(129,359)
Balance at 30 June 2020 (restated and unaudited)	8,434,771	1,788,736	12,344,243	7,264,599	(4,122)	11,007	(8,860)	(264,158)	53,673,510	83,239,726	22,085,633	52,321,066	157,646,425

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Net cash generated from operating activities	15,766,613	20,570,955
Investing activities		
Purchases of property, plant and equipment	(12,994,155)	(8,833,178)
Payments for right-of-use assets	(376,715)	(275,304)
Purchases of intangible assets	(4,223,107)	(1,318,567)
Net cash (outflows)/inflows from acquisition of subsidiaries	(778,783)	1,233
Acquisition of interests in associates	(558,045)	(838,045)
Deposits paid	(5,354,276)	(3,903,451)
Net cash inflows from disposal of subsidiaries	10,456	511,693
Business combination under common control	(31,976)	–
Other investing cash inflows, net	7,553,583	3,676,185
Net cash used in investing activities	(16,753,018)	(10,979,434)
Financing activities		
Interest paid	(3,308,854)	(4,166,767)
Dividends paid to shareholders	(3,964,342)	(2,952,170)
Dividends paid to the non-controlling interests of subsidiaries	(3,835,381)	(2,306,764)
Repayment of borrowings	(64,756,439)	(93,283,053)
New borrowings raised	74,494,547	92,625,806
Repayment of lease liabilities	(446,264)	(1,186,373)
Payments for acquisition of additional interests in subsidiaries	(951,042)	–
Deemed partial disposal of interest in subsidiaries without losing control	170,429	1,147,581
Other financing cash inflows, net	945,080	1,137,800
Net cash used in financing activities	(1,652,266)	(8,983,940)

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Net (decrease)/increase in cash and cash equivalents	(2,638,671)	607,581
Cash and cash equivalents at 1 January	29,721,666	24,104,252
Effect of foreign exchange rate changes	(118,765)	17,686
Cash and cash equivalents at 30 June	26,964,230	24,729,519

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

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 address of registered office and principal place of business of the Company is 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, fiberglass and composite materials, and engineering services businesses. Hereinafter, the Company and its subsidiaries are collectively referred to as the “Group”.

The condensed consolidated financial statements are presented in Renminbi (“RMB”) which is the functional currency of the Company, unless otherwise stated.

The condensed consolidated financial statements have not been audited.

2 Basis of preparation and accounting policies

The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and in compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. These condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

2 Basis of preparation and accounting policies (Continued)

Other than additional accounting policies resulting from application of amendments to IFRSs, as mentioned in Note 2(b), the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in Group's annual financial statements for the year ended 31 December 2020.

(a) Business combination under common control

On 30 December 2020, Beijing New Building Material Public Limited Company entered into an equity transfer agreement to acquire 100% equity interests of CNBM Suzhou Waterproof Institute Co., Ltd. ("Suzhou Institute") from China National Building Material Asset Management Corporation (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB69,213,200 (the "Suzhou Institute Acquisition"). The Suzhou Institute Acquisition was completed during the period and thus Suzhou Institute has become a subsidiary of the Group.

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

On 15 December 2020, Xingtai China United Cement Company Limited ("Xingtai United") (an indirect subsidiary of the Company) entered into an equity transfer agreement to acquire 98.545% equity interest of Xingtai Xinlei Building Material Company Limited ("Xingtai Xinlei") from China National Building Material Assets Management Corporation ("CNBM Assets Management") (a 100% direct subsidiary of the Parent) at cash consideration of RMB1, (the "Xinlei Acquisition"). The Xinlei Acquisition was completed in December 2020 and thus Xingtai Xinlei has become a subsidiary of the Group.

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

The condensed consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the periods presented. The condensed consolidated financial statements for the six months ended 30 June 2020 has been restated as a result of adoption of merger accounting for the above business combinations under common control.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

2 Basis of preparation and accounting policies (Continued)

(a) Business combination under common control (Continued)

The details of the relevant balances have been disclosed in Note 27 to the condensed consolidated financial statements.

(b) Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19 - Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

2 Basis of preparation and accounting policies (Continued)

(b) Application of amendments to IFRSs (Continued)

As at 1 January 2021 and 30 June 2021, the Group had several borrowings, the interest of which are indexed to benchmark rates that are subjected to interest rate benchmark reform.

The amendments have had no impact on the condensed consolidated financial statements as none of these contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

(c) Comparatives

In order to better reflect the operation results and allow a more informative presentation of the Group's results to the users of condensed consolidated financial statements, management of the Group has reconsidered the presentation in the condensed consolidated statement of profit or loss. Certain expenses that relate to satisfying performance obligations in contracts with customers have been reclassified as cost of sales. Accordingly, the relevant comparative amount of RMB3,434.13 million for the period ended 30 June 2020 included in selling and distribution costs has been reclassified to cost of sales in order to conform with current period's presentation. In addition, as stated in Note 2(a) and Note 27, comparative figures have also been restated to reflect the effect of business combination under common control.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

3 Estimates

The preparation of condensed consolidated financial statements 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 these condensed consolidated financial statements, 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 2020.

4 Financial risk factors

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 financial statements do 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 2020.

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

4 Financial risk factors (Continued)

4.2 Liquidity risk

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

4.3 Fair value measurement of financial instruments

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

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

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

4 Financial risk factors (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 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	4,995	–	4,995
Financial assets at fair value through profit or loss	4,672,682	–	2,516,244	7,188,926
Financial assets at fair value through other comprehensive income	7,375	–	–	7,375
Total assets (unaudited)	4,680,057	4,995	2,516,244	7,201,296
Liabilities				
Derivative financial instruments	–	13,161	–	13,161
Total liabilities (unaudited)	–	13,161	–	13,161

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

4 Financial risk factors (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 31 December 2020:

	Level 1 RMB'000 (restated)	Level 2 RMB'000 (restated)	Level 3 RMB'000 (restated)	Total RMB'000 (restated)
Assets				
Derivative financial instruments	–	16,148	–	16,148
Financial assets at fair value through profit or loss	5,193,311	–	3,490,584	8,683,895
Financial assets at fair value through other comprehensive income	7,526	–	–	7,526
Total assets (unaudited)	5,200,837	16,148	3,490,584	8,707,569
Liabilities				
Derivative financial instruments	–	19,338	–	19,338
Financial guarantee contracts	–	–	64,000	64,000
Total liabilities (unaudited)	–	19,338	64,000	83,338

During the six months ended 30 June 2021, there were no significant transfers between levels of the financial assets and financial liabilities.

During the six months ended 30 June 2021, 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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

4 Financial risk factors (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 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.

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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

4 Financial risk factors (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:

Financial assets	30 June 2021	Fair value at 31 December 2020	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: RMB746,328,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB2,231,628,000	Discounted cash flows Key unobservable inputs are: Expected yields of 0.6% to 3.9% (2020: 0.6% to 3.9%) of money markets and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks <i>(Note(i))</i>	The higher the discount rate, the lower the fair value The higher the expected yield, the higher the fair value
Unlisted equity shares classified as financial assets at fair value through profit or loss	Unlisted equity shares, amounts of RMB1,769,916,000	Unlisted equity shares, amounts of RMB1,258,956,000	Market comparable companies Key unobservable input: Discount rate for lack of marketability: 30.3% <i>(Note(iii))</i> Net assets, value The effects of unobservable inputs are not significant	The higher the discount rate, the lower the fair value

Note:

- (i) 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 insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.
- (ii) The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2021, it is estimated that with all other variable held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the group's profit by RMB15.23 million.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

4 Financial risk factors (Continued)

4.3 Fair value measurement of financial instruments (Continued)

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

Reconciliation of level 3 fair value measurements

	Financial assets at fair value through profit or loss RMB'000 (unaudited)
At 1 January 2020, as restated	3,492,239
Total gains recognised in profit or loss	3,526
Addition	10,684,960
Disposals	(10,690,141)
At 31 December 2020, as restated	3,490,584
Total gains recognised in profit or loss	16,221
Addition	4,995,568
Disposals	(5,986,129)
As at 30 June 2021	2,516,244

(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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

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 fiberglass, 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 2021 and year ended 31 December 2020.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

5 Segment information (Continued)

(a) For the six months ended 30 June 2021:

The segment results for the six months ended 30 June 2021 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	58,462,937	23,486,813	21,440,577	1,745,939	1,543,854	-	106,680,120
Over time	-	-	-	15,190,274	-	-	15,190,274
	58,462,937	23,486,813	21,440,577	16,936,213	1,543,854	-	121,870,394
Inter-segment sales <i>(Note)</i>	1,335,232	36,134	203,089	3,740,594	1,862,232	(7,177,281)	-
	59,798,169	23,522,947	21,643,666	20,676,807	3,406,086	(7,177,281)	121,870,394
Adjusted EBITDA (unaudited)	19,494,591	2,142,306	5,630,237	402,746	(2,005,068)	-	25,664,812
Depreciation and amortisation	(4,961,957)	(344,616)	(1,199,161)	(276,855)	(55,650)	-	(6,838,239)
Unallocated other income, net							28,074
Unallocated administrative expenses							(12,507)
Share of profits/(losses) of associates	695,974	(5,651)	48,321	6,882	1,110,158	-	1,855,684
Share of losses of joint ventures	(345)	-	(47)	-	-	-	(392)
Finance costs, net	(2,207,841)	(514,858)	(234,106)	(170,164)	(138,699)	-	(3,265,668)
Unallocated finance costs, net							(6,704)
Profit before income tax							17,425,060
Income tax expense							(4,205,930)
Profit for the period (unaudited)							13,219,130

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

5 Segment information (Continued)

(a) For the six months ended 30 June 2021: (Continued)

The segment results are 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 losses 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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

5 Segment information (Continued)

(b) As at 30 June 2021:

The segment assets and liabilities as at 30 June 2021 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
Assets							
Segment assets	240,589,056	53,721,448	64,126,311	59,450,041	6,261,365	-	424,148,221
Interests in associates	11,099,278	50,218	6,641,364	339,490	3,065,213	-	21,195,563
Interests in joint ventures	10,166	-	105,090	-	-	-	115,256
Unallocated assets							43,491,915
Total consolidated assets (unaudited)							488,950,955
Liabilities							
Segment liabilities	130,631,316	17,438,444	31,684,909	48,453,736	6,648,808	-	234,857,213
Unallocated liabilities							77,063,210
Total consolidated liabilities (unaudited)							311,920,423

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

5 Segment information (Continued)

(c) For the six months ended 30 June 2020:

The segment results for the six months ended 30 June 2020 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	53,876,551	21,505,465	16,615,300	4,067,282	613,877	-	96,678,475
Over time	-	-	-	10,125,187	-	-	10,125,187
	53,876,551	21,505,465	16,615,300	14,192,469	613,877	-	106,803,662
Inter-segment sales (Note)	4,090,345	121,316	342,736	1,537,919	596,499	(6,688,815)	-
	57,966,896	21,626,781	16,958,036	15,730,388	1,210,376	(6,688,815)	106,803,662
Adjusted EBITDA (unaudited)	17,418,659	1,802,064	3,398,244	1,000,939	(950,465)	-	22,669,441
Depreciation and amortisation	(4,910,133)	(367,500)	(1,083,157)	(264,986)	(79,434)	-	(6,705,210)
Unallocated other income, net							41,144
Unallocated administrative expenses							(16,606)
Share of profits/(losses) of associates	730,245	(8,873)	16,450	5,451	531,349	-	1,274,622
Share of losses of joint ventures	(551)	-	(1,642)	-	-	-	(2,193)
Finance costs, net	(2,528,395)	(557,430)	(294,212)	(171,979)	(179,487)	-	(3,731,503)
Unallocated finance costs, net							(87,212)
Profit before income tax							13,442,483
Income tax expense							(3,749,359)
Profit for the period (unaudited)							9,693,124

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

5 Segment information (Continued)

(c) For the six months ended 30 June 2020: (Continued)

The segment results are 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 losses 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 2020:

The segment assets and liabilities as at 31 December 2020 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
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Assets							
Segment assets	219,562,303	47,061,694	58,706,449	58,288,394	5,464,043	-	389,082,883
Interests in associates	9,995,580	40,541	6,116,844	342,910	2,817,691	-	19,313,566
Interests in joint ventures	10,511	-	87,507	-	-	-	98,018
Unallocated assets							47,945,988
Total consolidated assets (unaudited)							456,440,455
Liabilities							
Segment liabilities	116,869,910	16,239,371	28,122,309	47,303,805	6,265,317	-	214,800,712
Unallocated liabilities							76,432,254
Total consolidated liabilities (unaudited)							291,232,966

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(restated) (unaudited)
Adjusted EBITDA for reportable segments	27,669,880	23,619,906
Adjusted EBITDA for other segment	(2,005,068)	(950,465)
Total segments profit	25,664,812	22,669,441
Depreciation of property, plant and equipment	(4,914,562)	(4,821,893)
Depreciation of right-of-use assets	(1,210,816)	(1,227,060)
Amortisation of intangible assets	(712,861)	(656,257)
Corporate items	15,567	24,538
Operating profit	18,842,140	15,988,769
Finance costs, net	(3,272,372)	(3,818,715)
Share of profits of associates	1,855,684	1,274,622
Share of losses of joint ventures	(392)	(2,193)
Profit before income tax	17,425,060	13,442,483

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

6 Investment and other income, net

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Decrease in fair value of financial assets at fair value through profit or loss, net	(535,773)	(557,992)
Decrease in fair value of derivative financial instruments, net	(11,942)	(2,588)
Discount on acquisition of interests in subsidiaries (Note 25(a))	12,943	802
Government subsidies:		
– VAT refunds (Note (a))	620,427	546,597
– Government grants (Note (b))	543,630	606,501
– Interest subsidy	4,775	133
Net rental income	112,695	125,330
Gain on disposal of property, plant and equipment:		
– Gain on disposal of property	43,192	582,855
– Others	221,175	605,862
Gain on disposal of intangible asset	132,786	–
Gain/(loss) on disposal of other investments	19,988	(11,519)
Gain on disposal of subsidiaries, net (Note 25(b))	3,220	64,810
(Loss)/gain on disposal of associates	(2,253)	9,389
Technical and other service income	181,913	155,184
Claims received	78,154	82,801
Waiver of payables	24,769	63,471
Others	174,621	95,657
	1,624,320	2,367,293

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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

6 Investment and other income, net (Continued)

Notes: (Continued)

- (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.

7 Finance costs, net

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Interest expenses on bank borrowings:		
– wholly repayable within five years	2,352,591	2,616,654
– not wholly repayable within five years	–	92
	2,352,591	2,616,746
Interest expenses on lease liabilities	93,204	94,055
Interest expenses on bonds and other borrowings	1,359,384	1,658,187
Less: interest capitalised to construction in progress	(137,256)	(108,165)
	3,667,923	4,260,823
Interest income:		
– interest on bank deposits	(201,465)	(244,530)
– interest on loan receivables	(194,086)	(197,578)
	(395,551)	(442,108)
Finance costs, net	3,272,372	3,818,715

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

8 Profit before income tax

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Depreciation of:		
Property, plant and equipment	4,940,562	4,847,718
Investment properties	12,513	16,609
Right-of-use assets	1,210,816	1,227,060
	6,163,891	6,091,387
Amortisation of intangible assets	713,136	656,555
Total depreciation and amortisation	6,877,027	6,747,942
Impairment loss on goodwill	27,884	1,189,382
Impairment loss on property, plant and equipment	255,332	1,210,915
Impairment loss on intangible assets	1,776	–
Impairment loss on right-of-use assets	–	8,058
Cost of inventories recognised as expenses	88,098,277	70,020,446
Staff costs	10,359,972	8,953,583
Gain on disposal of property, plant and equipment, investment properties and intangible assets, net	(397,156)	(1,132,097)
Net foreign exchange losses/(gain)	204,676	(46,518)

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

9 Income tax expense

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Current income tax	3,899,550	4,315,237
Deferred income tax	306,380	(565,878)
	4,205,930	3,749,359

PRC income tax is calculated at 25% (2020: 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% (2020: 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 2021 and 2020 at the rates of taxation prevailing in the countries in which the Group operates.

10 Dividends

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Dividends	3,964,342	2,952,170

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

10 Dividends (Continued)

During the period, dividend amounting to approximately RMB3,964.34 million (six months ended 30 June 2020: approximately RMB2,952.17 million) was announced as the final dividend for the immediate preceding financial year.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (Interim dividend for the six months ended 30 June 2020: RMBnil).

11 Earnings per share

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Profit attributable to owners of the Company	7,958,795	5,380,640

	Six months ended 30 June	
	2021 '000 (unaudited)	2020 '000 (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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

12 Property, plant and equipment

Six months ended 30 June 2021

	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 2021					
As previously reported (audited)	19,482,806	87,073,190	63,760,166	2,063,595	172,379,757
Business combination under common control	–	3,612	1,202	118	4,932
As at 1 January 2021, as restated (unaudited)	19,482,806	87,076,802	63,761,368	2,063,713	172,384,689
Additions	11,354,184	191,111	1,300,689	148,171	12,994,155
Acquisition of subsidiaries (Note 25(a))	107,603	2,721,516	1,631,164	91,002	4,551,285
Transfer from construction in progress	(5,754,647)	2,685,288	3,056,642	12,717	–
Transfer to construction in progress for reconstruction	7,511	(5,740)	(1,771)	–	–
Transfer from investment properties	–	407	–	–	407
Transfer to investment properties	–	(4,696)	–	–	(4,696)
Disposals	(2,878,010)	(106,889)	(150,846)	(29,483)	(3,165,228)
Disposals of subsidiaries (Note 25(b))	–	(21,794)	(2,227)	(50)	(24,071)
Depreciation and impairment	(26,049)	(1,721,175)	(3,238,483)	(210,187)	(5,195,894)
Net book value as at 30 June 2021 (unaudited)	22,293,398	90,814,830	66,356,536	2,075,883	181,540,647

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

12 Property, plant and equipment (Continued)

Year ended 31 December 2020

	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 2020					
As previous restated (audited)	18,683,458	87,972,375	64,112,500	2,380,861	173,149,194
Business combination under common control	–	3,914	1,402	140	5,456
As at 1 January 2020, as restated (unaudited)	18,683,458	87,976,289	64,113,902	2,381,001	173,154,650
Additions	15,343,476	1,466,541	2,205,484	272,726	19,288,227
Acquisition of subsidiaries	414,196	1,020,258	747,567	33,634	2,215,655
Transfer from construction in progress	(11,226,194)	4,300,587	6,884,221	41,386	–
Transfer to construction in progress for reconstruction	81,817	(38,623)	(42,723)	(471)	–
Transfer from investment properties	–	118,742	–	–	118,742
Transfer to investment properties	–	(44,331)	–	–	(44,331)
Reclassified as held for sale	–	(112,316)	(70,674)	(86)	(183,076)
Disposals	(3,325,640)	(1,445,511)	(845,587)	(144,362)	(5,761,100)
Disposals of subsidiaries	(198,081)	(521,773)	(518,848)	(658)	(1,239,360)
Depreciation and impairment	(290,226)	(5,643,061)	(8,711,974)	(519,457)	(15,164,718)
Net book value as at 31 December 2020 (restated) (unaudited)	19,482,806	87,076,802	63,761,368	2,063,713	172,384,689

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

12 Property, plant and equipment (Continued)

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Land and buildings	1,840,976	814,623
Plant and machinery	917,648	1,150,350
	2,758,624	1,964,973

Impairment assessment

Shutdown of production lines

In following a series of the government's policies on environmental protection and capacity replacement, some production lines in different subsidiaries of the Group have been suspended during the year.

Except for certain assets of the production lines that can be used by other business within the Group, the Company concluded that the recoverable amounts for rest of the production lines' assets are lower than their carrying amount.

Accordingly, impairment loss of approximately RMB255.33 million (six months ended 30 June 2020: approximately RMB1,210.92 million) has been recognized in respect of these property, plant and equipment.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

13 Right-of-use assets

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Leasehold lands	20,560,269	19,711,297
Leased properties	2,817,328	2,828,287
Plant and machinery	6,415,588	7,213,325
Motor vehicles	212,240	226,677
	30,005,425	29,979,586

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 2 years to 23 years. On lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately RMB569.98 million (six months ended 30 June 2020: approximately RMB741.95 million).

As at 30 June 2021, the Group has pledged right-of-use assets with a carrying amount of RMB211.55 million (31 December 2020: RMB242.43 million) to secure the bank borrowings granted to the Group.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

14 Goodwill

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
At the beginning of the period/year	33,290,321	37,886,421
Arising from acquisition of subsidiaries (Note 25(a))	2,168,573	254,210
Deregistration of a subsidiary	(166,211)	(432,858)
Disposal of subsidiaries (Note 25(b))	–	(215,280)
Impairment for the period/year	(27,884)	(4,211,401)
Exchange difference	(7,671)	9,229
At the end of the period/year	35,257,128	33,290,321

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Cement	27,798,358	25,807,632
Concrete	6,113,722	6,197,731
New materials	513,516	438,984
Engineering services	772,090	785,441
Others	59,442	60,533
	35,257,128	33,290,321

During the current interim period, the Group recognised impairment loss of RMB27.88 million (six months ended 30 June 2020: RMB1,189.38 million) in relation to goodwill allocated to the CGU of cement operation.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

15 Interests in associates

	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
Cost of investments in associates		
– listed in the PRC	1,495,189	1,495,189
– listed in Hong Kong	665,581	685,814
– unlisted	7,266,866	6,731,179
Share of post-acquisition profit, net of dividend received	11,767,927	10,401,384
	21,195,563	19,313,566
Fair value of listed investments	18,719,938	23,096,441

As at 30 June 2021, the cost of investments in associates included goodwill of associates of approximately RMB610.67 million (31 December 2020: approximately RMB610.67 million).

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

16 Deposits

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Investment deposits for acquisition of subsidiaries	166,992	148,396
Deposits paid to acquire property, plant and equipment	3,853,477	3,239,521
Deposits paid to acquire intangible assets	1,039,848	305,850
Deposits paid to acquire right-of-use assets	293,959	381,740
	5,354,276	4,075,507

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

17 Trade and other receivables

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Trade receivables, net of allowance for credit losses	57,517,219	48,808,889
Bills receivable	19,335,721	20,812,376
Contract assets	14,735,009	11,507,527
Other receivables, deposits and prepayments	26,091,417	23,905,608
	117,679,366	105,034,400

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

17 Trade and other receivables (Continued)

The Group normally allowed an average of credit periods of 60 to 180 days to its trade customers except for customers of engineering services segment, for which the credit periods are normally ranging from 1 to 2 years. The ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice date is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Within two months	13,921,727	10,396,607
More than two months but within one year	27,805,771	25,659,332
Between one and two years	11,735,369	8,709,249
Between two and three years	2,500,118	2,534,121
Over three years	1,554,234	1,509,580
	57,517,219	48,808,889

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

As at 30 June 2021, approximately RMB101.36 million (31 December 2020: approximately RMB61.13 million) of the trade receivables and approximately RMB1,263.89 million (31 December 2020: approximately RMB1,263.18 million) of bills receivable are pledged to secure bank loans granted to the Group.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

17 Trade and other receivables (Continued)

Analysed for reporting purposes:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Non-current portion	11,552,668	11,930,475
Current portion	106,126,698	93,103,925
	117,679,366	105,034,400

18 Financial assets at fair value through profit or loss

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Financial assets at fair value through profit or loss:		
– Equity shares listed outside Hong Kong	2,934,311	3,255,237
– Equity shares listed in Hong Kong	1,738,371	1,938,074
– Structured deposits (<i>Note</i>)	746,328	2,231,628
– Unlisted equity shares	1,769,916	1,258,956
	7,188,926	8,683,895

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

18 Financial assets at fair value through profit or loss (Continued)

Analysed for reporting purposes:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Non-current portion	2,315,619	2,517,143
Current portion	4,873,307	6,166,752
	7,188,926	8,683,895

Note: During the period ended 30 June 2021 and year ended 31 December 2020, the Group entered into certain investments with certain financial institutions. The investment, based on respective contracts, have maturity dates within 3 months.

19 Pledged bank deposits

As at 30 June 2021, the Group pledged approximately RMB6,630.49 million bank deposits (31 December 2020: approximately RMB4,995.82 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 0.35% to 2.8% (the year ended 31 December 2020: ranging from 0.35% to 2.80%) per annum.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

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. As at 30 June 2021, the remaining assets are planned to be delivered at the end of 2021.

During the period, the Group has also resolved to dispose some of its assets to some interested parties. The related assets are expected to be sold within twelve months and have been classified as held-for-sale.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

20 Assets classified as held-for-sale (Continued)

The major classes of assets classified as held for sale as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
Property, plant and equipment	58,144	183,076
Right-of-use assets	11,797	12,767
	69,941	195,843

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

21 Trade and other payables

The ageing analysis of trade and other payables, based on invoice date, is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Within two months	9,949,855	9,541,827
More than two months but within one year	29,656,445	24,477,477
Between one and two years	3,893,003	4,165,161
Between two and three years	1,273,928	1,276,167
Over three years	2,429,304	2,202,115
Trade payables	47,202,535	41,662,747
Bills payable	20,795,646	16,071,950
Contract liabilities	14,366,011	15,277,195
Other payables	25,319,026	25,090,154
	107,683,218	98,102,046

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

22 Borrowings

	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
Bank borrowings:		
– Secured	1,812,642	4,779,835
– Unsecured	123,077,874	111,002,041
	124,890,516	115,781,876
Bonds	59,954,235	57,751,790
Borrowings from other financial institutions	1,998,750	1,536,246
	186,843,501	175,069,912
Analysed for reporting purposes:		
Non-current portion	92,336,439	85,629,115
Current portion	94,507,062	89,440,797
	186,843,501	175,069,912

The interest rates of the borrowings are ranging from 1% to 5.70% per annum during the period (the year ended 31 December 2020: ranging from 1% to 5.22%).

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

22 Borrowings (Continued)

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Property, plant and equipment (Note 12)	2,758,624	1,964,973
Right-of-use assets (Note 13)	211,545	242,434
Cash and cash equivalents	6,630,486	4,995,816
Trade receivables (Note 17)	101,360	61,131
Bills receivable (Note 17)	1,263,890	1,263,183
	10,965,905	8,527,537

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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

23 Employee benefits payable (Continued)

The movements of employee benefit payable are as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
At the beginning of the period/year	242,442	255,253
Interest cost	175	7,152
Remeasurements:		
– Adjustments for restrictions on the defined benefit asset	19	(2,147)
– Actuarial gains recognised in the period/year	(1,095)	(620)
– Past service cost, including losses on curtailments	–	9,486
Benefits paid	(9,299)	(26,682)
At the end of the period/year	232,242	242,442

Analysed for reporting purposes:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current portion	230,983	240,878
Current portion	1,259	1,564
	232,242	242,442

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

24 Share capital

	Domestic share (Note (a))		H Shares (Note (b))		Unlisted foreign shares (Note (c))		Total capital RMB'000
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	
Registered and paid up shares of RMB1.0 each As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	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.

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.

25 Acquisition and disposals of subsidiaries

(a) Acquisition of subsidiaries not under common control

During the six months ended 30 June 2021, the Group acquired 25 (2020: 4) subsidiaries. The acquired subsidiaries and business are principally engaged in the production and sale of cement and concrete and sale of new materials.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

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

These acquisitions have been accounted for using the acquisition method.

Summary of assets acquired and liabilities recognised in the transactions during the periods ended 30 June 2021 and 2020, and the goodwill arising, are as follows:

	2021 RMB'000	2020 RMB'000
Net assets acquired:		
Property, plant and equipment	4,551,285	420,615
Right-of-use assets	1,253,549	13,368
Intangible assets	1,156,517	228,151
Interests in associates	21,000	–
Deferred income tax assets	76,682	–
Inventories	525,970	12,701
Trade and other receivables	982,939	89,576
Amounts due from related parties	1,368,634	651
Pledged bank deposit	72,513	–
Cash and cash equivalents	303,493	129,812
Trade and other payables	(1,836,859)	(303,819)
Current income tax liabilities	(48,990)	(874)
Amounts due to related parties	(69,525)	(100,817)
Borrowings	(2,035,481)	(60,636)
Lease liabilities	(298)	–
Deferred income	(29,032)	–
Deferred income tax liabilities	(768,064)	(82,382)
Net assets	5,524,333	346,346
Non-controlling interests (Note)	(3,160,057)	(132,554)
Discount on acquisition of subsidiaries (Note 6)	(12,943)	(802)
Goodwill	2,168,573	26,797
Total consideration	4,519,906	239,787

Note: The non-controlling interests recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of the acquired subsidiaries and business.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

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

	2021 RMB'000	2020 RMB'000
Total consideration satisfied by:		
Cash	1,082,276	128,579
Other payables	120,704	19,120
Additional interests to non-controlling interests	526,442	–
Partial interests of the Group's subsidiaries (<i>Note</i>)	2,790,484	–
Transferred from trade receivables	–	92,088
	4,519,906	239,787
Net cash (outflow)/inflow arising on acquisition:		
Cash consideration paid	(1,082,276)	(128,579)
Less: cash and cash equivalents acquired	303,493	129,812
	(778,783)	1,233

Note: On 24 May 2021, China United Cement Corporation ("China United Cement"), a wholly-owned subsidiary of the Company) and Henan Investment Group entered into the Amended and Restated Cooperation Agreement, whereby China United Cement will, by injecting its equity interests in some of its subsidiaries, contribute RMB6,000 million (representing 60% of the registered capital of Henan China United) to the registered capital of a newly established company, Henan China United Tongli material Co., Ltd. ("Henan China United"); Henan Investment Group will, by injecting its equity interests in some of its subsidiaries, contribute RMB4,000 million (representing 40% of the registered capital of Henan China United) to the registered capital of Henan China United. The proportion of the value of those assets to be injected to the registered capital by the parties, which exceeds the respective registered capital contribution subscribed by each party, will be recognised as Henan China United's capital reserve. In order to make the parties' contribution to Henan China United's capital reserve in proportionate to the parties' contribution to Henan China United's registered capital, China United Cement has paid a corresponding amount in cash to make up its contribution to Henan China United's capital reserve.

From the Group's perspective, this is effectively an acquisition of companies from Henan Investment Group.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

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

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 profit for the period are approximately RMB481.88 million and RMB31.72 million respectively attributable to the additional business mainly generated by these newly acquired cement and concrete companies.

Had these business combinations been effective at 1 January 2021, the revenue of the Group would be approximately RMB123,715.85 million and profit for the period of the Group would be approximately RMB13,409.30 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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

(b) Disposal of subsidiaries

During the six months ended 30 June 2021 and 2020, the Group disposed its equity interests in certain subsidiaries to third parties. The net assets of these disposed subsidiaries at the date of disposal were as follows:

	2021 RMB'000	2020 RMB'000
Net assets disposed of:		
Property, plant and equipment	24,071	1,250,900
Right-of-use assets	18,310	143,144
Goodwill	–	215,280
Intangible assets	–	133,764
Deferred income tax assets	–	17,223
Inventories	3,619	88,870
Trade and other receivables	9,002	111,735
Amounts due from related parties	–	214,401
Cash and cash equivalents	12	59,168
Trade and other payables	(40,855)	(1,125,272)
Current income tax liabilities	–	(89,635)
Deferred income	–	(4,744)
Amounts due to related parties	–	(54,956)
Deferred income tax liabilities	–	(53,874)
Non-controlling interests	(6,911)	12,460
Net assets disposed of	7,248	918,464

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

(b) Disposal of subsidiaries (Continued)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Consideration received:		
Cash	10,468	570,861
Gain on disposal of subsidiaries		
Consideration received and receivable	10,468	570,861
Net assets disposal of	(7,248)	(918,464)
Investment in associates retained	–	412,413
Gain on disposal of subsidiaries, net (<i>Note 6</i>)	3,220	64,810
Net cash inflow of cash arising from disposal of subsidiaries:		
Cash consideration	10,468	570,861
Cash and cash equivalents in subsidiaries disposed of	(12)	(59,168)
Net cash inflow from disposal of subsidiaries	10,456	511,693

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

26 Transactions with non-controlling interests

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

For the period ended 30 June 2021, the Group acquired additional issued shares of 9 subsidiaries for a purchase consideration of approximately RMB951.04 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB454.20 million. The Group recognised a decrease in non-controlling interests of approximately RMB702.57 million and a decrease in equity attributable to owners of the Company of approximately RMB248.47 million.

	30 June 2021 RMB'000 (unaudited)	30 June 2020 RMB'000 (unaudited)
Carrying amount of non-controlling interests acquired	702,573	–
Consideration paid to non-controlling interests	(951,042)	–
Excess consideration paid recognised within parent's equity	(248,469)	–

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

26 Transactions with non-controlling interests (Continued)

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

Details of the Group's significant acquisition of additional interests in subsidiary without change in control during the six months ended 30 June 2021 is as follows:

Beijing New Yuwang Waterproof subsidiaries (“北新禹王防水的子公司”) (“Yuwang Waterproof”)

During the period ended 30 June 2021, the Group acquired additional equity interests in Yuwang Waterproof for a consideration of approximately RMB694.58 million. After that, the Group's effective equity interests in Yuwang Waterproof increased from 26.48% to 37.83%. The carrying amount of the non-controlling interests in the subsidiaries on the date of acquisition was approximately RMB374.80 million. The Group recognised a decrease in non-controlling interests of approximately RMB573.61 million and a decrease in equity attributable to owners of the Company of approximately RMB120.97 million.

Sinoma Jinjing Fiberglass Co., Ltd. (“中材金晶玻纖有限公司”) (“Sinoma Jinjing”)

During the period ended 30 June 2021, the Group acquired additional equity interests in Sinoma Jinjing for a consideration of approximately RMB93.55 million. After that, the Group's effective equity interests in Sinoma Jinjing increased from 50.01% to 60.24%. The carrying amount of the non-controlling interests in the subsidiaries on the date of acquisition was a deficit of approximately RMB31.11 million. The Group recognised a decrease in non-controlling interests of approximately RMB18.45 million and a decrease in equity attributable to owners of the Company of approximately RMB75.10 million.

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

	30 June 2021 RMB'000 (unaudited)	30 June 2020 RMB'000 (unaudited)
Carrying amount of equity interest obtained by non-controlling interests	(2,519,485)	(1,128,872)
Capital contributed by non-controlling interests	2,960,913	1,147,581
Gain on disposal within equity	441,428	18,709

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

26 Transactions with non-controlling interests (Continued)

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

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the period ended 30 June 2021 and 2020 as follows:

Henan subsidiaries of China United Cement (“中聯水泥河南子公司”) (“Henan subsidiaries”)

As mentioned in Note 25(a), during the period, China United has transferred its Henan subsidiaries to a non-wholly owned subsidiary of China United in exchange for the equity instruments issued by the subsidiary valued at the fair value of the Henan subsidiaries. As a result of the transaction, the Group's effective equity interest in the Henan subsidiaries were diluted from 100% to 60%, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB422.50 million and an increase in non-controlling interests of approximately RMB2,367.98 million.

Concrete and cement subsidiaries of CNBM Investment (“中建材投資的水泥及商混子公司”)

During the period ended 30 June 2020, CNBM Investment, a wholly owned subsidiary of the Company, entered into sales agreement with South Cement, a partially owned subsidiary of the Company, pursuant to which South Cement agreed to purchase 51% interests of 9 subsidiaries in the concrete and cement segments from CNBM Investment at a consideration of RMB221.46 million. After the transaction, the Group's effective equity interests in the 9 subsidiaries were diluted from 100% to 92.26%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB111.72 million and an increase in non-controlling interests of approximately RMB109.74 million.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

26 Transactions with non-controlling interests (Continued)

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

Anyang Ching United Cement Company Limited (“安陽中聯水泥有限公司”)

During the period ended 30 June 2020, Anyang Ching United Cement Company Limited (“Anyang Cement”), a wholly owned subsidiary of the Company, entered into a capital increase agreement with an independent third party (“Anyang investors”), pursuant to which the Anyang investors agreed to contribute RMB791.43 million to Anyang Cement. After that, the Group’s effective equity interests in Anyang Cement were diluted from 100% to 53.66%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB92.82 million and an increase in non-controlling interests of approximately RMB884.25 million.

Fuzhoushi Dongxiangqu South New Material Company Limited (“撫州市東鄉區南方新材料有限公司”)

During the period ended 30 June 2020, Fuzhoushi Dongxiangqu South New Material Company Limited (“Fuzhoushi New Material”), a partially owned subsidiary of the Company, entered into a capital increase agreements with two independent third parties (“Fuzhoushi investors”), pursuant to which the Fuzhoushi investors agreed to contribute RMB113.73 million to Fuzhoushi New Material. After that, the Group’s effective equity interests in Fuzhoushi New Material were diluted from 67.86% to 43.26%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB0.02 million and an increase in non-controlling interests of approximately RMB113.71 million.

Hangzhou Guorui Concrete Company Limited (“杭州國瑞混凝土有限公司”)

During the period ended 30 June 2020, Hangzhou Guorui Concrete Company Limited (“Hangzhou Concrete”), a partially owned subsidiary of the Company, entered into a capital increase agreement with an independent third party (“Hangzhou investor”), pursuant to which the Hangzhou investor agreed to contribute RMB20.96 million to Hangzhou Concrete. After that, the Group’s effective equity interests in Hangzhou Concrete were diluted from 84.83% to 43.26%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB0.20 million and an increase in non-controlling interests of approximately RMB21.16 million.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

27 Business combination under common control

As mentioned in Note 2(a) to the condensed consolidated financial statements, the acquisitions of Suzhou Institute and Xingtai Xinglei have been accounted for based on merger accounting.

As Xingtai Xinlei was acquired in December 2020, its financial position has already been included in the consolidated statement of financial position of the Group as at 31 December 2020 as previously reported.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

27 Business combination under common control (Continued)

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2020 are as follows:

As at 31 December 2020

	The Group excluding Suzhou Institute RMB'000	Suzhou Institute RMB'000	Adjustments RMB'000	Consolidated RMB'000
Non-current assets				
Property, plant and equipment	172,379,757	4,932	–	172,384,689
Right-of-use assets	29,979,586	–	–	29,979,586
Investment properties	851,643	–	–	851,643
Goodwill	33,290,321	–	–	33,290,321
Intangible assets	19,074,130	–	–	19,074,130
Interests in associates	19,313,566	–	–	19,313,566
Interests in joint ventures	98,018	–	–	98,018
Financial assets at fair value through profit or loss	2,517,143	–	–	2,517,143
Financial assets at fair value through other comprehensive income	7,526	–	–	7,526
Deposits	4,075,507	–	–	4,075,507
Trade and other receivables	11,930,475	–	–	11,930,475
Deferred income tax assets	6,565,399	–	–	6,565,399
	300,083,071	4,932	–	300,088,003

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

27 Business combination under common control (Continued)

As at 31 December 2020 (Continued)

	The Group excluding Suzhou Institute RMB'000	Suzhou Institute RMB'000	Adjustments RMB'000	Consolidated RMB'000
Current assets				
Inventories	20,287,977	19,525	–	20,307,502
Trade and other receivables	93,080,091	23,924	(90)	93,103,925
Financial assets at fair value through profit or loss	6,156,222	10,530	–	6,166,752
Derivative financial instruments	16,148	–	–	16,148
Amounts due from related parties	1,844,800	–	–	1,844,800
Pledged bank deposits	4,995,816	–	–	4,995,816
Cash and cash equivalents	29,718,310	3,356	–	29,721,666
	156,099,364	57,335	(90)	156,156,609
Assets classified as held-for-sale	195,843	–	–	195,843
	156,295,207	57,335	(90)	156,352,452
Current liabilities				
Trade and other payables	98,066,458	35,588	–	98,102,046
Amounts due to related parties	4,748,493	–	(90)	4,748,403
Borrowings – amount due within one year	89,440,797	–	–	89,440,797
Lease liabilities	633,246	–	–	633,246
Derivative financial instruments	19,338	–	–	19,338
Employee benefits payable	1,564	–	–	1,564
Current income tax liabilities	4,774,046	–	–	4,774,046
Financial guarantee contracts	64,000	–	–	64,000
Dividend payable to non-controlling interests	313,879	–	–	313,879
	198,061,821	35,588	(90)	198,097,319

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

27 Business combination under common control (Continued)

As at 31 December 2020 (Continued)

	The Group excluding Suzhou Institute RMB'000	Suzhou Institute RMB'000	Adjustments RMB'000	Consolidated RMB'000
Net current (liabilities)/assets	(41,766,614)	21,747	–	(41,744,867)
Total assets less current liabilities	258,316,457	26,679	–	258,343,136
Non-current liabilities				
Borrowings – amount due after one year	85,629,115	–	–	85,629,115
Deferred income	2,234,392	–	–	2,234,392
Lease liabilities	2,697,414	–	–	2,697,414
Employee benefits payable	240,878	–	–	240,878
Deferred income tax liabilities	2,333,848	–	–	2,333,848
	93,135,647	–	–	93,135,647
Net assets	165,180,810	26,679	–	165,207,489
Capital and reserves				
Share capital	8,434,771	20,000	(20,000)	8,434,771
Reserves	81,805,330	6,679	3,414	81,815,423
Equity attributable to:				
Owners of the Company	90,240,101	26,679	(16,586)	90,250,194
Holders of perpetual capital instruments	18,637,177	–	–	18,637,177
Non-controlling interests	56,303,532	–	16,586	56,320,118
Total equity	165,180,810	26,679	–	165,207,489

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

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 2020 is as follows:

	The Group excluding Suzhou Institute, and Xingtai Xinlei RMB'000 (unaudited)	Suzhou Institute RMB'000 (unaudited)	Xingtai Xinlei RMB'000 (unaudited)	Adjustments RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue	106,787,612	21,498	–	(5,448)	106,803,662
Cost of sales	(77,616,892)	(18,679)	–	5,448	(77,630,123)
Gross profit	29,170,720	2,819	–	–	29,173,539
Investment and other income, net	2,365,826	723	744	–	2,367,293
Selling and distribution costs	(2,051,546)	(162)	–	–	(2,051,708)
Administrative expenses	(11,499,540)	(2,933)	(3,015)	–	(11,505,488)
Finance costs, net	(3,818,861)	144	2	–	(3,818,715)
Share of profits/(losses) of associates	1,274,622	–	(3,975)	3,975	1,274,622
Share of losses of joint ventures	(2,193)	–	–	–	(2,193)
Impairment loss under expected credit loss model, net of reversal	(1,994,867)	–	–	–	(1,994,867)
Profit/(loss) before income tax	13,444,161	591	(6,244)	3,975	13,442,483
Income tax expense	(3,749,357)	(2)	–	–	(3,749,359)
Profit/(loss) for the period	9,694,804	589	(6,244)	3,975	9,693,124
Profit/(loss) attributable to:					
Owners of the Company	5,386,571	589	(6,244)	(276)	5,380,640
Holders of perpetual capital instruments	511,424	–	–	–	511,424
Non-controlling interests	3,796,809	–	–	4,251	3,801,060
	9,694,804	589	(6,244)	3,975	9,693,124

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

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 diluted earnings per share for the six months ended 30 June 2020 is as follows:

	Impact on earnings per share <i>RMB</i> (unaudited)
Reported figures before restatement	0.639
Restatement arising from business combinations of entities under common control	(0.001)
Restated	0.638

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 2020 is as follows:

	Net profit <i>RMB'000</i> (unaudited)
Reported figures before restatement	9,694,804
Restatement arising from business combinations of entities under common control	(1,680)
Restated	9,693,124

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

28 Commitments

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Capital expenditure of the Group contracted but not provided in the condensed consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	2,369,503	1,068,152
– Acquisition of intangible assets	213,410	–

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 and 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 interim report, the announcement dated 22 March 2018, the 2017 annual report, the announcement dated 22 August 2018, the 2018 interim report, the announcement dated 19 March 2019, the 2018 annual report, the announcement dated 30 July 2019, the 2019 interim report, the 2019 annual report, the 2020 interim report and the 2020 annual report of the Company.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

29 Contingent liabilities and litigation (Continued)

The Gypsum Board Litigation in the United States (Continued)

In August 2019, Taishan Gypsum and 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”), entered into a class settlement agreement (the “Settlement Agreement”) with the counsels acting for the plaintiff Settlement Class (the “Settlement”), and the procedure of the Settlement proceeded normally in accordance with the Settlement Agreement.

In May 2020, the district court in the U.S. issued a formal order ruling that the claims against Taishan and Additional Released Parties and that the Released Claims are released and barred from reviving, and that the claims brought by plaintiffs who opted out from the Settlement are not released and are reserved in the litigation. This order is the final procedure of the Settlement process, and the cases of the plaintiffs who did not opt out of the case against Taishan and Additional Released Parties have closed.

In the Settlement, a total of 90 plaintiffs opted out from the Settlement. As of the date of this report, the lawsuits of 15 plaintiffs have closed, and the lawsuits of the remaining 75 plaintiffs are still ongoing.

Other than the multi-district combined litigation to which the Settlement relates, there were also lawsuits initiated by constructors and suppliers, among which the case of The Mitchell Co., Inc. against Knauf Gips KG has been settled and the settlement amount has been paid, while the other cases will continue. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further disclosure if and when necessary or appropriate.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

30 Related party transactions

In addition to the related party information shown elsewhere in the condensed consolidated financial statements, 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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Provision of production supplies to		
– The Parent Group	912,449	345,412
– Associates	7,538	650,162
– Joint ventures	6,863	3,214
– Non-controlling interests of subsidiaries	358	7,024
	927,208	1,005,812
Provision of support services to		
– The Parent Group	44,136	8,169
– Associates	3,336	8,989
– Joint ventures	538	–
	48,010	17,158
Rental income received from		
– The Parent Group	3,549	46,071
– Associates	–	715
– Non-controlling interests of subsidiaries	143	–
	3,692	46,786

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

30 Related party transactions (Continued)

(a) Transactions with related parties: (Continued)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Rendering of engineering services to		
– The Parent Group	491,943	400,074
– Associates	23,891	–
– Non-controlling interests of subsidiaries	491	–
	516,325	400,074
Interest income received from		
– The Parent Group	53,237	36,140
– Associates	–	5,430
	53,237	41,570
Provision of production supplies by		
– The Parent Group	1,532,107	409,500
– Associates	31,570	58,451
– Joint ventures	2,745	796
– Non-controlling interests of subsidiaries	27,531	5,220
	1,593,953	473,967
Provision of support services by		
– The Parent Group	8,349	15,196
– Associates	9,095	12,656
– Joint ventures	4,856	–
– Non-controlling interests of subsidiaries	–	939
	22,300	28,791

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

30 Related party transactions (Continued)

(a) Transactions with related parties: (Continued)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (restated) (unaudited)
Supplying of equipment by		
– The Parent Group	133,951	10,205
– Associates	–	817
– Joint ventures	–	77
	133,951	11,099
Interest expenses paid to the Parent Group	38,902	42,664
Provision of engineering services by		
– The Parent Group	206,584	56,394
– Associates	162	6,926
	206,746	63,320
Supply of raw materials (limestone and clay) by the Parent Group	73,541	19,718
Rental paid to		
– The Parent Group	654	288
– Non-controlling interests of subsidiaries	–	83
	654	371
Provision of other financial services by the Parent Group	103	55

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

30 Related party transactions (Continued)

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	663,838	760,580
– Associates	228,995	341,060
– Joint ventures	5	1,250
– Immediate holding company	804	–
– Non-controlling interests of subsidiaries	206,987	69,019
	1,100,629	1,171,909
Non-trading in nature:		
– Fellow subsidiaries	289,659	257,265
– Associates	194,505	199,948
– Joint ventures	128	73
– Immediate holding company	7,405	96
– Non-controlling interests of subsidiaries	223,216	215,509
	714,913	672,891
	1,815,542	1,844,800

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

30 Related party transactions (Continued)

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (restated) (unaudited)
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	1,252,782	1,759,467
– Associates	87,090	55,780
– Joint ventures	1,506	1,520
– Immediate holding company	–	10
– Non-controlling interests of subsidiaries	108,548	39,530
	1,449,926	1,856,307
Non-trading in nature:		
– Fellow subsidiaries	2,399,032	2,215,761
– Associates	183,310	22,819
– Immediate holding company	6,890	136,688
– Non-controlling interests of subsidiaries	288,790	516,828
	2,878,022	2,892,096
	4,327,948	4,748,403

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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

30 Related party transactions (Continued)

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

As at 30 June 2021, amounts due from related parties of approximately RMB4.99 million (31 December 2020: approximately RMB242.54 million) carry the fixed interest rate of 4.35% (31 December 2020: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2021, amounts due to related parties of approximately RMBnil (31 December 2020: approximately RMB2,360.61 million) carry the fixed interest rate of 5.20% (31 December 2020: 5.20%) per annum. The remaining balances of amounts due to related parties are interest-free.

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

During the six months ended 30 June 2021, 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 2021 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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

30 Related party transactions (Continued)

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2021 are as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short term benefits	9,445	8,943
Post-employment benefits	120	22
	9,565	8,965

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

31 Events after the end of the reporting period

Restructuring of Cement Assets

According to the indicative agreements entered into on 7 August 2020, (i) the Company sold its equity interest in China United Cement, South Cement, Southwest Cement and Sinoma Cement, all of which are subsidiaries of the Company, to Tianshan Cement; and (ii) Tianshan Cement acquired equity interests in South Cement or Southwest Cement (as the case may be) from certain minority shareholders (“Restructuring of Cement Assets”). On 2 March 2021, the Company entered into a supplemental agreement with Tianshan Cement to agree on the consideration of the transactions under the Restructuring of Cement Assets. The consideration shall be paid in the form of consideration shares issued by Tianshan Cement. On the same date, Tianshan Cement entered into a supplementary agreement with 25 minority shareholders of South Cement or Southwest Cement (as the case may be) to agree on the consideration of transactions under the Restructuring of Cement Assets. The consideration shall be paid in the form of consideration shares issued by Tianshan Cement and/or in cash. On 10 August 2021, the Company entered into a profit guarantee agreement with Tianshan Cement in connection with the Company’s provision of a profit guarantee to Tianshan Cement with respect to the Target Companies, in order to facilitate the smooth progression of the Restructuring. Upon completion, Tianshan Cement will remain as a subsidiary of the Company. The abovementioned indicative agreements and supplementary agreements will not take effect until the relevant effective conditions are fulfilled. As of the date of this report, the completion has not yet been completed. Details of the transactions contemplated under the Restructuring of Cement Assets are set out in the Company’s announcements dated 24 July 2020, 7 August 2020, 2 March 2021, 23 March 2021, 10 August 2021 and the circular dated 4 March 2021.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Renminbi)

31 Events after the end of the reporting period (Continued)

Restructuring of Cement Engineering Assets

According to the indicative agreements entered into on 30 October 2020, (i) the Company, Building Materials Academy (a wholly-owned subsidiary of the Parent) and China Triumph (a subsidiary of the Company) sold their respective equity interests in Beijing Triumph, Nanjing Triumph and Sinoma Mining, all of which are subsidiaries of the Company, to Sinoma International (an A-share listed subsidiary of the Company); and (ii) Sinoma International acquired equity interests in Nanjing Triumph from 49 minority shareholders of Nanjing Triumph (“Restructuring of Cement Engineering Assets”). On 9 February 2021, the Company, Building Materials Academy and China Triumph entered into a supplemental agreement with Sinoma International to agree on the consideration of the transactions in connection therewith under the Restructuring of Cement Engineering Assets. The consideration shall be paid in the form of consideration shares issued by Sinoma International and/or in cash. On the same date, Sinoma International entered into a supplemental agreement with the aforementioned 49 minority shareholders of Nanjing Triumph to agree on the consideration of the transactions in connection therewith under the Restructuring of Cement Engineering Assets. The consideration shall be paid in cash. On 30 July 2021, Sinoma International entered into a second supplemental agreement with China Triumph and each of the Independent Sellers, respectively, to agree on the handling of an outstanding issue in relation to an investment of Nanjing Triumph. On the same date, the Company, Building Materials Academy and China Triumph entered into a third supplemental agreement with Sinoma International to agree on the amended clause in relation to profit or loss realised during the Transitional Period. Upon completion, Sinoma International shall remain as the subsidiary of the Company. The abovementioned indicative agreements and supplemental agreements will not take effect until the relevant effective conditions are fulfilled. As of the date of this report, the completion has not yet been completed. Details of the transactions contemplated under the Restructuring of Cement Engineering Assets are set out in the Company’s announcements dated 17 October 2020, 19 October 2020, 30 October 2020, 9 February 2021 and 2 August 2021.

32 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements set out on pages 90 to 164 have been approved and authorised for issue by the Board of Directors on 27 August 2021.