

CNBM

China National Building Material Company Limited*

(Stock Code: 03323)

2020

Interim

Report 中期報告

* For identification only

Financial and Business Highlights

	As at 30 June 2020 (unaudited) <i>(RMB in millions)</i>	As at 31 December 2019 (audited) <i>(RMB in millions)</i>	Growth rate
Bank balances and cash	24,717	24,083	2.6%
Total assets	457,547	446,548	2.5%
Equity attributable to equity holders of the Company	83,421	80,636	3.5%

	For the six months ended 30 June		Growth rate
	2020 (unaudited) <i>(RMB in millions)</i>	2019 (restated) (unaudited) <i>(RMB in millions)</i>	
Revenue	106,788	112,138	-4.8%
Profit after tax	9,695	8,801	10.2%
Profit attributable to equity holders of the Company	5,387	5,757	-6.4%
Net cash flows from operating activities	20,561	18,277	12.5%

Sales volume of cement and clinker <i>(in thousand tonnes)</i>	164,302	170,258	-3.5%
Sales volume of commercial concrete <i>(in thousand m³)</i>	45,717	49,226	-7.1%
Sales volume of aggregate <i>(in thousand tonnes)</i>	32,871	23,887	37.6%
Sales volume of gypsum boards <i>(in million m²)</i>	825	904	-8.7%
Sales volume of glass fiber yarn <i>(in thousand tonnes)</i>	1,260	1,137	10.8%
Sales volume of wind power blade <i>(MW)</i>	6,439	4,483	43.6%
Revenue from engineering services <i>(RMB in millions)</i>	15,730	17,301	-9.1%
Average selling price of cement and clinker <i>(RMB per tonne)</i>	324.6	339.5	-4.4%
Average selling price of commercial concrete <i>(RMB per m³)</i>	472.7	464.5	1.8%
Average selling price of aggregate <i>(RMB per tonne)</i>	52.1	58.5	-10.9%
Average selling price of gypsum board <i>(RMB per m²)</i>	5.29	5.45	-2.9%
Average selling price of glass fiber yarn <i>(RMB per tonne)</i>	4,527	5,137	-11.9%
Average selling price of wind power blade <i>(RMB per MW)</i>	736,324	630,255	16.8%



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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 at any time send their requests to receive the interim report in printed form and/or to change their choices of the means of receipt of Corporate Communications by notice in writing to the 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*)

Peng Shou (*President*)

Cui Xingtai (*Vice President*)

Non-executive Directors

Zhan Yanjing

Chang Zhangli

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*)

Peng Shou

Zhou Fangsheng

NOMINATION COMMITTEE:

Sun Yanjun (*Chairman*)

Liu Jianwen

Cao Jianglin

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 (FCS, FCIS)
Authorised Representatives	:	Cao Jianglin Yu Kaijun
Alternate Authorised Representative	:	Lee Mei Yi (FCS, FCIS) (Au Hei Ki (ACS, ACIS), alternate to Lee Mei Yi)

Note: On 30 July 2020, Ms. Yu Yuehua was elected at the staff general meeting of the Company to replace Ms. Cui Shuhong as a staff representative supervisor of the fourth session of the Supervisory Committee with her term of office commencing from 30 July 2020 and being the same as that of the fourth session of the Supervisory Committee, and she may serve consecutive terms if re-elected.

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.com www.cnbm.com

Definitions

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

“2422”	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 Jieyuan Environmental Protection Technology Co., Ltd.)
“Anhui Non-metallic Mining”	中建材安徽非金屬礦工業有限公司 (CNBM (Anhui) Non-metallic Mining Industry Co., Ltd.*)
“Baishan Cement”	金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
“Baker Tilly China”	天職國際會計師事務所(特殊普通合夥) (Baker Tilly China Certified Public Accountants (Special General Partnership))
“Baker Tilly HK”	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
“BBMG”	北京金隅資產經營管理有限責任公司 (BBMG Assets Management Co., Ltd.)
“Beijing Composite”	北京玻鋼院複合材料有限公司 (Beijing Composite Materials Co., Ltd.)
“Beijing Synthetic Crystals”	北京中材人工晶體研究院有限公司 (Beijing Sinoma Synthetic Crystals Co., Ltd.)
“Beijing Triumph”	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)

Definitions (Continued)

“Beixin Flooring”	北新彈性地板有限公司 (Beixin Resilient Flooring Co., Ltd.)
“Belt and Road”	the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”
“Bengbu Triumph”	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
“Binzhou Cement”	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
“BNBM”	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
“BNBM Green Residence”	北新綠色住宅有限公司 (Beijing New Building Material Green Residence Company Limited)
“BNBM PNG”	中建投巴新公司 (BNBM PNG Limited)
“BNBM Taicang”	太倉北新建材有限公司 (BNBM Taicang Company Limited)
“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.)
“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
“Chengtong Financial”	北京誠通金控投資有限公司 (Beijing Chengtong Financial Investment 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 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)
“Chizhou Construction”	池州建設投資集團有限公司 (Chizhou Construction Investment Group Co., Ltd.*)
“Chizhou Jinqiao”	池州金橋投資集團有限公司 (Chizhou Jinqiao Investment Group Co., Ltd.*)
“Chizhou Transport”	池州交通投資集團有限公司 (Chizhou Transport Investment Group Co., Ltd.*)
“Chongqing Southwest Cement”	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)

Definitions (Continued)

“Cinda”	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
“CNBM (Chengdu)”	成都中建材光電材料有限公司 (CNBM (Chengdu) Optoelectronic Materials Co., Ltd.*)
“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.)
“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.)
“CNBM New Material”	中建材新材料有限公司 (CNBM New Material Co., Ltd.*), an indirect subsidiary of the Company
“Company” or “CNBM”	中國建材股份有限公司 (China National Building Material Company Limited)
“Company Law”	the Company Law of the PRC
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“CTG”	泰山玻璃纖維有限公司 (Taishan Fiberglass Inc.)
“Director(s)”	the director(s) of the Company

Definitions (Continued)

“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
“Finance Company”	中國建材集團財務有限公司 (China National Building Material Group Finance Co., Ltd.), a limited liability company incorporated under the laws of the PRC
“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.)
“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.)
“HAZEMAG Germany”	HAZEMAG&EPR GmbH
“Hong Kong Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“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

Definitions (Continued)

“Huaihai China United”	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
“Hubei BNBM”	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
“Hunan 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.)
“Internal benchmarking at three levels and external dual benchmarking”	internal: three levels of benchmarking management with CNBM, Sinoma Cement and member companies as the platform; external: benchmarking the overall operation level of Sinoma Cement with that of the domestic leading peer enterprises, and benchmarking each member enterprises with the regional leading enterprises
“Jetion Solar”	中建材浚鑫科技股份有限公司 (Jetion Solar (China) Co., Ltd.)

Definitions (Continued)

“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 (Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.)
“Jiangsu Solar Energy”	江蘇太陽能新材料有限公司 (Jiangsu Solar Energy Materials Co., Ltd.)
“Jiangsu Tianshan”	江蘇天山水泥集團有限公司 (Jiangsu Tianshan Cement (Group) Co., Ltd.)
“Jiangxi Porcelain”	中材江西電瓷電氣有限公司 (Sinoma Jiangxi Porcelain Electric Co., Ltd.)
“Jiangxi South Cement”	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
“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.)

Definitions (Continued)

“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
“Merger of CNBM and Sinoma”	the merger by absorption of Sinoma by the Company in accordance with the Company Law and other applicable PRC laws as stipulated under the Merger Agreement
“Midong Tianshan”	新疆米東天山水泥有限責任公司 (Xinjiang Midong Tianshan Cement Co., Ltd.)
“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 (Sinoma Nanjing Mining Engineering Co., Ltd.)
“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)

Definitions (Continued)

“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.)
“NSP”	cement produced by clinker made through the new suspension preheater dry process
“one body, three wings”	one body: special cement; three wings: non-portland cement gel, mixed Portland cement, mineral gel
“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

Definitions (Continued)

“Qilianshan”	甘肅祁連山水泥集團股份有限公司 (Gansu Qilianshan Cement Group Company Limited)
“Qilianshan 3.0”	A digital control platform featuring automated business execution, digital process drive and intelligent decision-making analysis vigorously established by Qilianshan through improving and upgrading basic system, enhancing informatization of professional management and strengthening its innovation capacity in digital drive and process
“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)
“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 2020 to 30 June 2020
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Saima Kejin”	寧夏賽馬科進混凝土有限公司 (Ningxia Saima Kejin Concrete Co., Ltd.)
“security in six areas”	security in the following six areas: employment, people’s livelihoods, the development of market entities, food and energy security, the stable operation of industrial and supply chains and the smooth functioning of society
“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.)

Definitions (Continued)

“Shanghai South Cement”	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
“Shanghai Zhentong”	上海圳通股權投資管理有限公司 (Shanghai Zhentong Equity Investment Management 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 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
“Sichuan Southwest Cement”	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
“Sinoma”	中國中材股份有限公司 (China National Materials Company Limited), a joint stock company incorporated in the PRC with limited liability
“Sinoma (Gansu)”	中材甘肅水泥有限責任公司 (Sinoma (Gansu) Cement Co., Ltd.)
“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.)

Definitions (Continued)

“Sinoma Hanjiang”	中材漢江水泥股份有限公司 (Sinoma Hanjiang Cement Co., Ltd.)
“Sinoma Hengda”	中材亨達水泥有限公司 (Sinoma Hengda Cement Co., Ltd.)
“Sinoma International”	中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.)
“Sinoma Investment”	中國中材投資(香港)有限公司 (Sinoma Investment (Hong Kong) Co., Ltd.)
“Sinoma Jinjing”	中材金晶玻纖有限公司 (Sinoma Jinjing Fiberglass Co., Ltd.)
“Sinoma Lithium Membrane”	中材鋰膜有限公司 (Sinoma Lithium Membrane Co., Ltd.)
“Sinoma Luoding”	中材羅定水泥有限公司 (Sinoma Luoding Cement Co., Ltd.)
“Sinoma Mining”	中材礦山建設有限公司 (Sinoma Mining Construction Co., Ltd.)
“Sinoma Parent”	中國中材集團有限公司 (China National Materials Group Corporation Ltd.), a 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.)

Definitions (Continued)

“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)
“stability on six fronts”	stability in the following six fronts: employment, finance, foreign trade, foreign investment, domestic investment and market expectations
“stability on three fronts, security in four areas and one enhancement”	stability on the three fronts: the stability of operation, industrial and enterprises; security in the four areas: the security of people’s livelihood, major projects, production safety and high-quality development; one enhancement: the enhancement of Party building
“State” or “PRC Government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the member(s) of the Supervisory Committee
“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-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.*)

Definitions (Continued)

“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.)
“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.) (previously known as 江蘇中建材環保研究院有限公司 Jiangsu CNBM Environmental Protection Research Institute Company Limited)
“Triumph Technology”	凱盛科技集團有限公司 (Triumph Technology Group Company Limited*)
“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)
“Wushan Cement”	祁連山武山水泥廠 (Qilianshan Wushan Cement Factory)

Definitions (Continued)

“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.)
“Xiamen Standard Sand”	廈門艾思歐標準砂有限公司 (Xiamen ISO Standard Sand 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)
“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*)

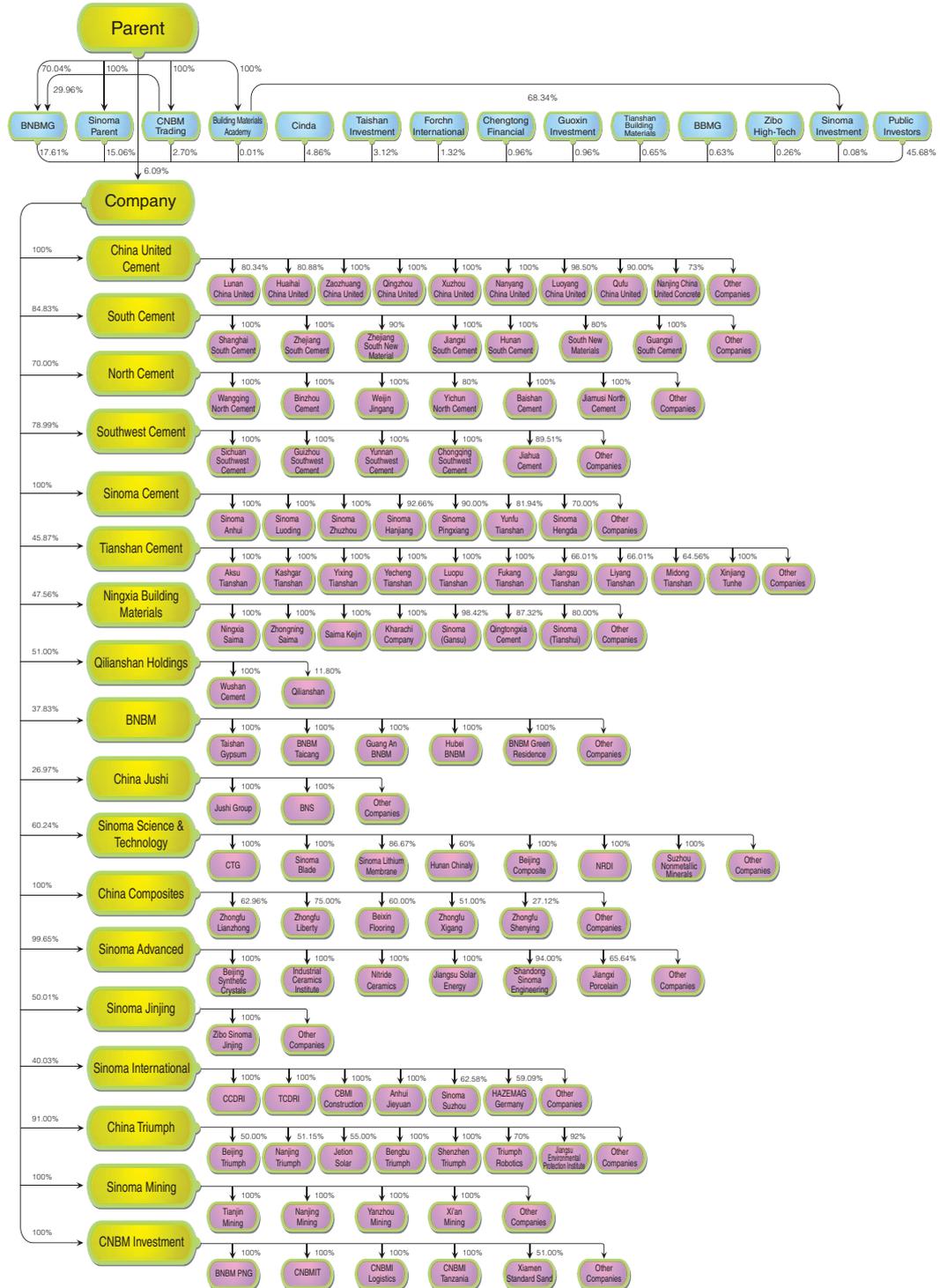
Definitions (Continued)

“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 Shenyong”	中復神鷹碳纖維有限責任公司 (Zhongfu Shenyong 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”	淄博高新技術風險投資股份有限公司 (Zibo High-Tech Venture Investment Co., Ltd.)
“Zibo Sinoma Jinjing”	淄博中材金晶玻纖有限公司 (Zibo Sinoma Jinjing Fiberglass Co., Ltd.)

* For identification purposes only

Shareholding Structure of the Group

The simplified structure of the Group as of 30 June 2020 is set out below:



Shareholding Structure of the Group (Continued)

Note:

1. The aforementioned percentages are rounded to 2 decimal places. Due to being rounded, the total percentage of shareholdings may be discrepant with the total amount.
2. In August 2015, the Parent increased its shareholding of H Shares of the Company by 8.536 million shares, accounting for 0.10% of the total share capital.
3. Prior to the Merger of CNBM and Sinoma, the Parent held 8.00 million H Shares of Sinoma through Sinoma Investment, a wholly-owned overseas subsidiary of Sinoma Parent at that time. After completion of the Merger of CNBM and Sinoma, Sinoma Investment held 6.80 million H Shares of the Company, representing for 0.08% of the total share capital of the Company.
4. The Company indirectly held 11.80% equity interest of Qilianshan through Qilianshan Holdings and directly held 13.24% equity interest of Qilianshan.
5. 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. On 16 October 2019, South Cement entered into an equity transfer agreement with Shanghai Zhentong, pursuant to which South Cement agreed to acquire 2.925% equity interest held by Shanghai Zhentong in North Cement. On 3 April 2020, North Cement had completed the registration of industrial and commercial changes for the above equity transfer. Up to now, the Company indirectly held 4.6% equity interest of North Cement through South Cement.

Financial Highlights

	For the six months ended 30 June	
	2020 (unaudited) <i>(RMB in thousands)</i>	2019 (restated) (unaudited)
Revenue	106,787,612	112,138,141
Gross profit	32,604,846	33,351,344
Profit after tax	9,694,804	8,800,863
Profit attributable to equity holders of the Company	5,386,571	5,757,131
Distribution made to the equity holders of the Company	2,952,170	1,518,259
Earnings per share-basic <i>(RMB)</i> ⁽¹⁾	0.639	0.683

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 2020 and for the six months ended 30 June 2019.

	As at 30 June 2020 (unaudited) <i>(RMB in thousands)</i>	As at 31 December 2019 (audited)
	Total assets	457,546,618
Total liabilities	299,681,002	295,291,065
Net assets	157,865,616	151,256,912
Non-controlling interests	52,359,023	49,835,720
Equity attributable to equity holders of the Company	83,420,960	80,635,913
Net assets per share-weighted average <i>(RMB)</i> ⁽¹⁾	9.89	9.56
Debt to assets ratio ⁽²⁾	40.6%	41.7%
Net debt ratio ⁽³⁾	101.9%	107.2%

Note:

- (1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 8,434,770,662 shares for 2019 and for the six months ended 30 June 2020.
- (2) Debt to assets ratio = total borrowings / total assets x 100%.
- (3) Net debt ratio = (total borrowings - bank balances and cash) / net assets x 100%.

Business Highlights

The major operating data of each segment of the Group for the six months ended 30 June 2020 and 30 June 2019 are set out below:

CEMENT SEGMENT

China United Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	27,461	29,117
Production volume – clinker (<i>in thousand tonnes</i>)	24,398	25,549
Sales volume – cement (<i>in thousand tonnes</i>)	24,558	25,299
Sales volume – clinker (<i>in thousand tonnes</i>)	5,571	5,720
Average selling price – cement (<i>RMB per tonne</i>)	354.6	378.4
Average selling price – clinker (<i>RMB per tonne</i>)	277.8	312.8
Sales volume – commercial concrete (<i>in thousand m³</i>)	18,901	21,914
Average selling price – commercial concrete (<i>RMB per m³</i>)	474.5	461.9

South Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	42,916	43,751
Production volume – clinker (<i>in thousand tonnes</i>)	38,424	39,965
Sales volume – cement (<i>in thousand tonnes</i>)	41,258	41,799
Sales volume – clinker (<i>in thousand tonnes</i>)	7,383	10,937
Average selling price – cement (<i>RMB per tonne</i>)	353.0	357.4
Average selling price – clinker (<i>RMB per tonne</i>)	335.7	332.9
Sales volume – commercial concrete (<i>in thousand m³</i>)	22,919	23,163
Average selling price – commercial concrete (<i>RMB per m³</i>)	490.7	483.5

Business Highlights (Continued)

CEMENT SEGMENT (CONTINUED)

North Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	6,454	6,118
Production volume – clinker (<i>in thousand tonnes</i>)	5,078	4,958
Sales volume – cement (<i>in thousand tonnes</i>)	6,313	5,750
Sales volume – clinker (<i>in thousand tonnes</i>)	937	561
Average selling price – cement (<i>RMB per tonne</i>)	260.5	316.9
Average selling price – clinker (<i>RMB per tonne</i>)	237.4	254.6
Sales volume – commercial concrete (<i>in thousand m³</i>)	1,240	1,269
Average selling price – commercial concrete (<i>RMB per m³</i>)	338.8	341.4

Southwest Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	39,250	43,000
Production volume – clinker (<i>in thousand tonnes</i>)	33,182	35,009
Sales volume – cement (<i>in thousand tonnes</i>)	39,088	41,915
Sales volume – clinker (<i>in thousand tonnes</i>)	2,488	1,796
Average selling price – cement (<i>RMB per tonne</i>)	297.0	320.3
Average selling price – clinker (<i>RMB per tonne</i>)	246.7	281.3
Sales volume – commercial concrete (<i>in thousand m³</i>)	348	550
Average selling price – commercial concrete (<i>RMB per m³</i>)	316.5	331.8

Business Highlights (Continued)

CEMENT SEGMENT (CONTINUED)

Sinoma Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	9,347	9,719
Production volume – clinker (<i>in thousand tonnes</i>)	8,581	10,312
Sales volume – cement (<i>in thousand tonnes</i>)	9,222	9,050
Sales volume – clinker (<i>in thousand tonnes</i>)	985	2,400
Average selling price – cement (<i>RMB per tonne</i>)	379.9	374.0
Average selling price – clinker (<i>RMB per tonne</i>)	324.5	318.2
Sales volume – commercial concrete (<i>in thousand m³</i>)	260	371
Average selling price – commercial concrete (<i>RMB per m³</i>)	474.9	458.9

Tianshan Cement

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	7,369	7,004
Production volume – clinker (<i>in thousand tonnes</i>)	7,656	7,269
Sales volume – cement (<i>in thousand tonnes</i>)	7,228	7,016
Sales volume – clinker (<i>in thousand tonnes</i>)	1,662	1,951
Average selling price – cement (<i>RMB per tonne</i>)	390.2	427.3
Average selling price – clinker (<i>RMB per tonne</i>)	261.9	267.8
Sales volume – commercial concrete (<i>in thousand m³</i>)	656	765
Average selling price – commercial concrete (<i>RMB per m³</i>)	379.9	435.3

Business Highlights (Continued)

CEMENT SEGMENT (CONTINUED)

Ningxia Building Materials

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	6,246	6,227
Production volume – clinker (<i>in thousand tonnes</i>)	5,249	4,769
Sales volume – cement (<i>in thousand tonnes</i>)	5,978	5,859
Sales volume – clinker (<i>in thousand tonnes</i>)	1,316	556
Average selling price – cement (<i>RMB per tonne</i>)	264.3	262.3
Average selling price – clinker (<i>RMB per tonne</i>)	173.2	203.5
Sales volume – commercial concrete (<i>in thousand m³</i>)	716	635
Average selling price – commercial concrete (<i>RMB per m³</i>)	320.8	336.4

Qilianshan

	For the six months ended 30 June	
	2020	2019
Production volume – cement (<i>in thousand tonnes</i>)	9,967	8,905
Production volume – clinker (<i>in thousand tonnes</i>)	7,537	6,973
Sales volume – cement (<i>in thousand tonnes</i>)	10,107	9,039
Sales volume – clinker (<i>in thousand tonnes</i>)	208	610
Average selling price – cement (<i>RMB per tonne</i>)	298.5	279.8
Average selling price – clinker (<i>RMB per tonne</i>)	231.1	199.1
Sales volume – commercial concrete (<i>in thousand m³</i>)	677	559
Average selling price – commercial concrete (<i>RMB per m³</i>)	390.8	381.1

Business Highlights (Continued)

NEW MATERIALS SEGMENT

BNBM

	For the six months ended 30 June	
	2020	2019
Gypsum board – BNBM		
Production volume (<i>in million m²</i>)	163.5	165.3
Sales volume (<i>in million m²</i>)	159.3	169.0
Average selling price (<i>RMB per m²</i>)	7.24	7.42
Gypsum board – Taishan Gypsum		
Production volume (<i>in million m²</i>)	640.5	731.1
Sales volume (<i>in million m²</i>)	631.5	703.7
Average selling price (<i>RMB per m²</i>)	4.87	5.04

China Jushi

	For the six months ended 30 June	
	2020	2019
Glass fiber yarn		
Production volume (<i>in thousand tonnes</i>)	876	915
Sales volume (<i>in thousand tonnes</i>)	870	753
Average selling price (<i>RMB per tonne</i>)	4,229	4,866

Business Highlights (Continued)

NEW MATERIALS SEGMENT (CONTINUED)

Sinoma Science & Technology

	For the six months ended 30 June	
	2020	2019
Glass fiber yarn		
Production volume (<i>in thousand tonnes</i>)	331	359
Sales volume (<i>in thousand tonnes</i>)	340	338
Average selling price (<i>RMB per tonne</i>)	5,390	5,884
Wind power blade		
Production volume (<i>MW</i>)	4,488	3,902
Sales volume (<i>MW</i>)	4,588	3,201
Average selling price (<i>RMB per MW</i>)	710,124	612,616

China Composites

	For the six months ended 30 June	
	2020	2019
Wind power blade		
Production volume (<i>MW</i>)	2,080	1,367
Sales volume (<i>MW</i>)	1,851	1,282
Average selling price (<i>RMB per MW</i>)	801,264	674,298

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 2020), 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 2020, in the face of the severe challenges caused by the COVID-19 pandemic and the complex and ever-changing domestic and international environment, as the Chinese people were mobilized to promote economic and social development while continuing to advance pandemic control, China's economy has rebounded after a slump and recovered steadily, showing its strong resilience and potential. The economic recovery was better than expected. GDP declined by 6.8% year on year in the first quarter and 1.6% year on year in the first half of the year. Fixed-asset investment declined by 16.1% year on year in the first quarter and 3.1% year on year in the first half of the year. Infrastructure investment declined by 19.7% year on year in the first quarter and 2.7% year on year in the first half of the year, and each of decline had gradually narrowed. Property development investment increased by 1.9% year on year in the first half of the year, turning into positive growth from a decline of 7.7% year on year in the first quarter. The building materials industry achieved positive results thanks to the coordinated prevention and control of the pandemic and the development of the industry. The economic operation of the industry gradually stabilized and recovered.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

In the first half of 2020, focusing on the tasks in ensuring “stability on six fronts” and “security in six areas” and the requirements of ensuring “stability on three fronts, security in four areas and enhancing the leadership and building of the Party”, the Group coordinated the prevention and control of the pandemic, operation and management, reform and innovation, enhancing Party building and other work and consistently achieved new breakthroughs and results in high-quality development. The Group closely focused on details in the prevention and control of the pandemic, fully supported the frontline in the fight against the pandemic, bravely shouldered responsibilities and firstly achieved work resumption and full-capacity production to stabilize production and guarantee supply. Meanwhile, it issued anti-pandemic bonds by taking full advantage of fiscal and taxation policies to support the pandemic control. It continuously advanced the “management of three delicacies” to increase the profitability through improving operating efficiency, improve the management efficiency through enhancing refined management and boost the operation efficiency through streamlining the organizational structure. The Group deeply advanced the reform and innovation, deepened the reform of the incentive mechanism, solidly advanced the pilot on reform, achieved fruitful innovation-driven results and improved the development landscape of “three pillars” namely cement, new materials, and engineering services sectors. In addition, the Group continued the deep integration of Party building with operations to effectively display the advantages of Party building. In the first half of the year, compared with the same period of last year, the sales volume of cement and clinker of the Group decreased by 3.5% year on year to 164 million tonnes, the sales volume of commercial concrete decreased by 7.1% year on year to 46 million cubic metres, the sales volume of aggregate increased by 37.6% year on year to 33 million tonnes, the sales volume of gypsum board decreased by 8.7% year on year to 825 million square metres, the sales volume of glass fiber yarn increased by 10.8% year on year to 1.26 million tonnes and the sales volume of wind power blade increased by 43.6% year on year to 6,439 MW. The revenue from engineering services of the Group amounted to RMB15,730 million, representing a 9.1% decrease year on year. The revenue of the Group amounted to RMB106,788 million, representing a 4.8% decrease year on year. Profit attributable to equity holders of the Company amounted to RMB5,387 million, representing a 6.4% decrease year on year.

Cement Segment

Review of the cement industry in the PRC in the first half of 2020

The projects construction and the production and operation activities of enterprises experienced periodic suspension in the first quarter of 2020 and the initiation of the cement market was delayed due to the impacts of the pandemic, the production volume of cement decreased 23.9% year on year. With acceleration in advancing work and production resumption in the second quarter, the releasing of demands sped up, the production volume of cement in the PRC amounted to 998 million tonnes, representing a 4.8% decrease year on year and a smaller decline in the first half of the year. In terms of supply, the cement industry implemented the measures on the extension of peak shifting production and orderly advanced the work and production resumption after the pandemic to guarantee the supply, stabilize the market and enhancing self-discipline, thus effectively responding to the impacts of the pandemic and stabilizing performance of the industry.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

The supply-side structural reform remained the main task in the industry. In January 2020, the MIIT released the Q&A on the Implementation of the Latest Measures on Capacity Replacement in the Cement and Glass Industry, setting out strict quotas on capacity replacement and specifying that cross-provincial capacity replacement shall be publicized by the transfer-in and transfer-out places. The Department of Industry and Information Technology of Guangxi suspended capacity replacement in April 2020, and enterprises with an annual production capacity of more than 3 million tonnes of clinker in priority areas have carried out production reduction and capacity replacement of cement projects according to the layout planning. The Ministry of Ecology and Environment carries out performance grading on the cement industry and imposes different shutdown restrictions on cement and clinker production lines, grinding stations and hazardous wastes treatment enterprises in response to the severely polluted weather during the yellow, orange and red warning periods. Following the commencement of off-peak replacement of calcium carbide slag enterprises in Xinjiang, in March 2020, four clinker enterprises and calcium carbide slag clinker enterprises in Inner Mongolia have prepared a off-peak replacement plan.

Review of the cement segment business of the Group in the first half of 2020

For the cement segment, the Group tided over the overlapping impacts of the economic downturn and the COVID-19, focused on key projects and core markets, further implemented the ideology of “PCP”, practiced control of new additions, peak shifting production, shutdown of outdated production facilities and cancellation of PC32.5R to safeguard the ecological health of the industry. As the “Cement+” strategy was deeply advanced, the cement business was transformed and upgraded, the commercial concrete business was optimized in business layout and the aggregate business achieved coordinated development with other business. While unswervingly pushing forward the consolidation and optimization, it has enhanced synergy and explored potentials to display the advantages of the Group.

China United Cement

While conducting regular prevention and control of the pandemic, China United Cement practiced the operating ideology of “PCP” to stabilize the market and the confidence in the industry. It explored peak shifting production after resuming work and production and actively participated in advancing the alleviation of PVC clinker. It strengthened cooperation with large construction groups to guarantee the basis for stable production volume and enhance the risk resistance ability under the pandemic.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

China United Cement (Continued)

China United Cement has improved lean operating efficiency and advanced intelligent transportation in sales and shipment of products; deeply advanced refined management and focused on cost reduction and efficiency enhancement, increased the procurement of direct-supply coal and centralized procurement, vigorously promoted the use of the centralized procurement platform and deeply carried out digital transformation and upgrading; coordinated the implementation of streamlining the organizational structure and solidly deepened the “2422” reduction works; and practiced green development concept and sped up in advancing the prevention and treatment of pollutants from the cement and clinker production lines.

China United Cement sped up in the formulation of plans on the construction and development of smart plants. The smart plant in Luoyang has been put into operation and the indicators of the intelligent loading system in Bengbu have been significantly optimized. Based on the “Cement+” strategy, it consolidated the current cement, concrete and aggregate resources, improved the upstream and downstream industrial chains and sped up in obtaining resources and the planning on large aggregate bases.

South Cement

While carefully conducting the prevention and control of the pandemic, South Cement continuously carried out peak shifting production and the management and control of clinker resources, actively promoted production reduction, optimization, transformation and upgrading, and led the supply-side structural reform of the industry. It strengthened the construction of core markets and channels, expanded key projects, overcame the impacts of the pandemic and strong rainy season in June, and stabilized fundamental markets.

South Cement steadily advanced lean production and further deepened benchmarking management; improved the three-in-one internal control system on finance, deepened financial centralization; carried out refined management in the full process of coal procurement, strengthened logistics management and coordinated procurement of limestone and other mineral resources in small areas and enhanced the reasonable allocation of internal resources to reduce the procurement and logistics costs; and continuously promoted organizational optimization and further streamlined institutions and maintained a skeleton staff.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

South Cement (Continued)

South Cement accelerated the construction of smart cement plants, an optimization and upgrade project, with the smart production lines of Huaikan South and Deqing South completed construction. It continuously optimized the layout of commercial concrete and improved the standardized management system and business incentive mechanism on the commercial concrete business. Its aggregate business achieved active progress and aggregate projects were under orderly progress.

North Cement

In the face of the outstanding supply and demand conflict in northeast areas and the challenge of the pandemic, North Cement flexibly adjusted its marketing strategies by implementing the business model with the integration of production and sales to display the resources advantage of the place where the enterprise is located and guarantee its market share. It paid particular attention to the sales of key projects and enhanced linkage in sea transportation.

Special cement such as oil well cement, medium- and low-heat cement and road cement jointly developed by North Cement have been widely applied in key projects.

Southwest Cement

Southwest Cement comprehensively coordinated the prevention and control of the pandemic, enterprise maintenance, production operation and market supply, maintained planned management, connected production and sales and gave priority to cement supply to projects on people's livelihood and key projects. It deepened the supply-side structural reform, optimized supply and steadily conducted peak shifting production, establishing an excellent market ecosystem and environment.

Southwest Cement deepened lean production, advanced targeted technological transformation, enhanced the quality of production management and control and improved the operation efficiency; deepened the construction of procurement and bidding information platforms and central warehouses, optimized the chain on the management of unified procurement of key materials and deeply explored potentials in cost reduction; enhanced innovation in management models and vigorously promoted centralized finance and integrated procurement management in small areas.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

Southwest Cement (Continued)

Transformation and upgrading advanced shoulder by shoulder with the “Cement+” strategy. Saide intelligent production line on the full chain in Zunyi, Guizhou was under normal operation and continued to obtain mine resources. It sped up the implementation of the strategic layout of cement business featuring “one body, three wings”, that is, it advanced technological innovation while emphasizing research and development of products. Southwest Cement has preliminarily established stable manufacturing technology on early-strength low-heat portland cement with low shrinkage specially for Sichuan-Tibet railway and has conducted experiments on on-site application.

Sinoma Cement

Adhering to the operating ideology of “PCP”, Sinoma Cement closely followed the changes in regional markets, advanced work and production resumption, production and operation in an accurate and orderly manner; deeply explored customers, followed key projects, optimized the sales structure and adopted flexible strategies to stabilize the sales volume.

Following the five principles of “lowest cost, best quality, standardized security, green environmental protection and highest efficiency”, Sinoma Cement continued to improve the benchmarking management system on all factors with “internal benchmarking at three levels and external dual benchmarking”. It enhanced production benchmarking, optimized lean production. It also enhanced centralized capital management to reduce costs and expenses.

The “Cement+” business was under steady progress with new achievements in the exploration of limestone resources and the sludge and hazardous waste disposal projects were under orderly progress. The company in Zambia properly dealt with uncertainties during the outbreak of the pandemic, effectively preventing and solving risks on overseas operation.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

Tianshan Cement

Tianshan Cement tided over the effects of the pandemic, initiated work and production resumption in an orderly manner, deeply advanced the supply-side structural reform, effectively adjusted the supply capacity in regional markets and improved the supply-demand structure, laying foundations for the healthy development of the industry. Based on the phased characteristics of the market, it implemented marketing strategies to ensure the best matching of output with price and maximize the operation efficiency.

Tianshan Cement comprehensively advanced the special reduction program to streamline institutions and improve the quality and efficiency. It developed marketing platforms and carried out unified management of the cement business within Xinjiang and the centralized management and control of selling prices. Based on the arrangement on peak shifting production, it properly allocated staff to improve the labor efficiency. It benchmarked itself against top enterprises to shore up its weakness, and analyzed technical indicators deeply.

Tianshan Cement sped up innovation in business models, developed the “cloud platform” of Jucai Mall (聚材商城), broke the bottlenecks in the development of traditional industries by leveraging on the Internet and achieved innovation and transformation.

Ningxia Building Materials

In the face of overcapacity of cement in the region and the impacts of the pandemic, Ningxia Building Materials carried out work and production resumption with firm confidence on the market. Firmly following the operating ideology of “PCP”, it implemented self-disciplinary measures and peak shifting production in the industry, striving to lead the healthy development of the regional market. It fully explored the civil market to closely seize market opportunities.

Ningxia Building Materials implemented two special campaigns on “benchmarking leading management enhancement” and “quality and efficiency improvement”. It consistently optimized the institution and position setting of subsidiaries and fully implemented the special reduction program “2422”. Ningxia Building Materials deeply developed the information development model. “Finding Car”(我找車), an online business platform for cargo logistics, achieved intelligent cargo logistics and has been extensively promoted for application among members of the Group and is gradually under external promotion.

Ningxia Building Materials steadily implemented the “Cement+” strategy to effectively improve the utilization of resources and further achieve cost reduction and efficiency improvement. It displayed the advantages of the “cement + concrete + aggregate” and “oil well cement + well cementation materials” portfolios and enhanced market exploration.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

Cement Segment (Continued)

Qilianshan

While solidly coordinating the prevention and control of the pandemic and production and operation, Qilianshan carried out work and production resumption and market expansion. Adhering to the operating ideology of “PCP”, Qilianshan strictly implemented peak shifting production and resolutely promoted the supply-side structural reform.

Qilianshan deeply practiced the “management of three delicacies” and steadily improved the operation quality through centralized marketing, central financial management, centralized materials procurement, centralized technological development and centralized investment decision-making. It advanced information technology to “Digital Qilianshan 3.0” with a focus on automatic execution of business, digital driving of procedures, intelligent analysis on decision-making and data capitalization, achieving 100% listing of cement and clinker on “cloud sales” platform.

Qilianshan advanced the optimization and development of the “Cement+” strategy and the implementation of the Gansu-Qinghai-Tibet strategy and consolidated regional markets through an innovative cooperation model. On the basis of the exploration of and planning on mine resources with the materials investment company as the platform, Qilianshan achieved full potential in the regional mine aggregate construction project, making the aggregate business stronger and bigger.

NEW MATERIALS SEGMENT

BNBM

BNBM attached equal importance to the prevention and control of the pandemic and work and production resumption and participated actively in the construction, renovation and expansion work of certain pandemic-combating hospitals to fully guarantee growth. It fully implemented the “management of three delicacies” and the special reduction program “2422” and solidly advanced production and operation.

BNBM pushed forward the development strategy of “one body, two wings and global layout” steadily and sped up in the full coverage of the gypsum board market to enhance its brand advantage; continued the innovation-driven model to boost the “gypsum board+” business and built the development model of innovative technologies for the whole house with “Luban universal purpose board” as the core. BNBM accomplished initial integration and optimization of the water-proof business and establishing BN Water-proof Group as a unified operation and management platform. It further implemented international strategies and actively advanced the implementation of key projects after the pandemic. It took the initiative to reform by commercialising its recruitment process in the selection of managerial candidates.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

NEW MATERIALS SEGMENT (Continued)

China Jushi

China Jushi carried out the prevention and control of the pandemic in a scientific, strict, full and accurate manner and stably conducted production and operation in an orderly way. It optimized the adjustment of the production and sales structure, fully displayed the advantages in the efficiency of the production line for intelligent manufacturing and unswervingly expanded the proportion of high-end products, high value-added products, cutting-edge products, high-end market and high-end customers, achieving sales growth against the trend.

By active implementation of scientific and technological innovation, the E8 formula achieved high-efficient production, further improving the efficiency and reducing the cost. New breakthroughs have been achieved in the R&D of the E9 formula, breaking technological bottlenecks and achieving mass production of large kilns. China Jushi expanded the proportion of cutting-edge featured products, stepped up efforts in the development of new products and achieved iteration and upgrading of products. It sped up in advancing intelligent manufacturing. The second roving production line with 150,000 tonnes in the Tongxiang headquarter intelligent manufacturing base, and a roving production line with 130,000 tonnes in the Chengdu intelligent manufacturing base had been put into production ahead of schedule, achieving leading position in the glass fiber yarn and glass fiber electronic cloth industries.

Sinoma Science & Technology

In respect of the wind power blade business, Sinoma Science & Technology carried out the prevention of the pandemic and production resumption at the same time, vigorously promoted work and production resumption, consistently optimized the capacity layout and product structure and consolidated the position of strategic customers, achieving significant increase in the production and sales volumes and the profitability. It firmly maintained the pace of “going out”, seized new strategic opportunities and endeavored to expand the international market.

In respect of the glass fiber business, Sinoma Science & Technology timely monitored changes in the overseas pandemic, firmly seized the opportunities in the wind power industry, deeply explored customers' needs to actively adjust market structure and product portfolio, thereby achieving cost reduction and efficiency improvement. It stuck to corporate development driven by technological innovation and strengthened and improved technology and product reserves.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

NEW MATERIALS SEGMENT (Continued)

Sinoma Science & Technology (Continued)

The lithium diaphragm business recorded rapid growth with production lines under normal operation and the capacities gradually released, achieving gradual improvement in the proportion of quality products. The exploration of core strategic customers was under smooth progress and the customer structure was continuously improved. Breakthroughs were achieved in overseas customers and the proportion of overseas revenue expanded rapidly. Its comprehensive competitiveness was consistently boosted and the market position was significantly enhanced. Moreover, Sinoma Science & Technology vigorously promoted the project construction and accelerated the second phase of the Tengzhou lithium diaphragm project.

China Composites

China Composites actively adjusted its production, operation and market strategies and deeply advanced the “management of three delicacies”, achieving outstanding results in cost reduction and efficiency improvement, significant growth in production appearing in the wind power business and sales and profitability. It actively seized opportunities in the wave of installment and sped up in the construction of offshore wind power and projects with low wind speed, realizing the layout of five types of blade modules.

The carbon fiber business recorded booming production and sales, and relevant application covered numerous fields. On the basis of the current industrialization of T700 and T800 grade carbon fibers, China Composites continued to make technological breakthroughs and solved the difficulties in macro control of defects of T1000G grade carbon fiber, achieving industrialization at the 100-tonne level. In addition, the project of high-performance carbon fiber in Xining was steadily advanced.

Sinoma Advanced

Sinoma Advanced actively adjusted the industrial structure, optimized transformation and upgrading and attached equal importance to the prevention and control of the pandemic and work and production resumption. The overseas revenue from electroceramics increased significantly. It achieved successful R&D of silicon nitride substrate with high thermal conductivity, facilitating its industrialized development.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

NEW MATERIALS SEGMENT (Continued)

Sinoma Advanced (Continued)

Sinoma Advanced continued to promote the innovation-driven strategy. It fully displayed the advantages of Industrial Ceramics Institute and Beijing Synthetic Institute in scientific research, continued to occupy the high ground of technologies, promoted the transformation of scientific and technological achievements and strengthened the construction of innovation platforms, teams and disciplines.

ENGINEERING SERVICES SEGMENT

Sinoma International

Sinoma International coordinated the prevention and control of the pandemic and work and production resumption both at home and abroad. In the domestic market, Sinoma International expanded capacity replacement, technological transformation and aggregate projects with greater efforts, achieving significant increase in the number of new contracts domestically and promoting the quality and efficiency improvement and green development of the cement industry. In the international market, Sinoma International continued to consolidate the market competitiveness of the principal business of cement engineering service, and made all-out efforts to guarantee the stable production and operation and expedite the construction of major overseas projects. It vigorously explored diversified engineering businesses in overseas areas and signed new orders for various projects such as the edible oil refinery in South Africa and the power plant in Turkey. It also deepened localized operation and localized investment projects in Vietnam and Nigeria were under orderly progress.

Adhering to technology- and innovation-driven high-quality development, Sinoma International successfully applied the “second-generation NSP technology”, setting new benchmarks in the industry. Various R&D results such as the high-efficient SNCR intelligent control system achieved industrialized application. Sinoma International further deepened reform to improve the hierarchical and classified assessment incentive mechanism and further improved the market-based operation mechanism by exploring the establishment of a standardized position system and a scientific appraisal system.

Management Discussion and Analysis (Continued)

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

ENGINEERING SERVICES SEGMENT (Continued)

China Triumph

China Triumph coordinated its efforts in the pandemic control and the resumption of work and production, and innovatively applied cloud services to sign contracts and launch a tender process. In terms of glass engineering, China Triumph gave full play to its leadership in the high-end transformation of the industry, developing all-round corporation with large enterprises in the industry and providing Chinese float glass technologies for international glass behemoths. In terms of new energy engineering, it contracted the construction of large photovoltaic power stations in Europe, making it the biggest Chinese photovoltaic power station contractor in Europe and America. In terms of agricultural facilities engineering, it constantly explored intelligent agriculture and developed an agricultural system with new infrastructure and high-efficient facilities. In terms of equipment manufacturing, it maintained its position in the traditional glass market, and tried its best to transform itself into such fields as new energy, new material and new infrastructure.

China Triumph spared no efforts to advance its international operations with a multi-dimensional layout in pursuit of the “Belt and Road” initiative, opening up the entire industry chain from R&D, design, equipment manufacturing to engineering services. It also strengthened the reduction and control of the “Two Funds” to continuously improve its operational efficiency. It persisted in the strategy of innovation-driven development and put its focus on the technological research and industrialization of new glass materials such as large-sized information display glass substrate, solar photovoltaic glass and special glass.

Sinoma Mining

Sinoma Mining deeply advanced the improvement of operating efficiency and solidly promoted mining services business, achieving new progress in coordinated cooperation and development and the number of new contracts setting a new record high. Sinoma Mining deeply promoted refined management and achieved new progress in benchmarking management, continued stable safety production with remarkable improvement in project quality, outstanding results in the construction of green mines and significant improvement in management efficiency. It deepened the streamlining of the organizational structure to improve operational efficiency.

Management Discussion and Analysis (Continued)

OUTLOOK FOR THE SECOND HALF OF THE YEAR

The steady economic recovery in the first half of the year has laid a solid foundation for sustained recovery in the second half of the year. In the second half, the policy effect from responses to the pandemic shall be further demonstrated and the government will better carry out COVID-19 control and promote economic and social development and expand effective investment. It will give priority to new infrastructure and new urbanization initiatives and major projects, steadily advance new urbanization, step up implementation of China's regional development strategies, and win the fight against poverty. From the perspective of the industry, as the investments in key areas such as infrastructure and real estate are being accelerated, market demand is expected to be released more quickly, and the annual profit is expected to be stable with good momentum; from the perspective of enterprises, the integration of business segments will be advanced continuously, and the synergy effect will be further exerted. However, given that to restart the world economy is fraught with difficulties, the foundation of domestic economic recovery is unstable, the industrial transformation and upgrading is arduous; opportunities and challenges coexist.

The Group will continue to follow the general principle of pursuing progress while ensuring stability and make plans according to timing conditions and actual situation. It will step up efforts to ensure “stability on six fronts” and maintain “security in six areas”, and spare no efforts to complete production and operation tasks, implement new development concepts, promote high-quality development and achieve breakthroughs in reform:

Firstly, it will spare no efforts to complete production and operation tasks. In terms of improve operating efficiency, the Group will practice the ideology of “PCP”, consolidate its position in the traditional market, develop emerging markets, and dig deep into market segments to carry out quality sales. In terms of enhance refined management, the Group will improve quality, enhance efficiency and carry out benchmarking management to further streamline management chains. In terms of streamlining the organizational structure, the Group will optimize the business structure, organizational structure and staff structure.

Management Discussion and Analysis (Continued)

OUTLOOK FOR THE SECOND HALF OF THE YEAR (CONTINUED)

Secondly, it will spare no efforts to implement new development concepts. The Group will intensify its efforts on technological innovation and enhance its innovation capacities in business model and management innovative. It will strengthen its internal synergy and supplementary advantages to speed up the conversion of old growth drivers to new ones. It will be committed to green manufacturing to promote ecological development. It will focus on quality in pursuit of the “Belt and Road” initiative, and redouble its efforts in management localization to appropriately promote its diversified development; it will make full use of information technology to advance intelligent and digital transformation.

Thirdly, it will spare no efforts to promote high-quality development. The Group will focus on key tasks, shore up weaknesses and make every effort to improve its profitability. It will strengthen the construction of the quality management system, attach importance to brand building and consistently boost the value generation ability. It will deeply carry out the “Action Program on Responsibility for Blue Sky” and improve the capability in the recycling and coordinated disposal of resources.

Fourthly, it will spare no efforts to achieve breakthroughs in reform. The Group will speed up in advancing the integration of all business sectors. Currently, it has initiated the business integration of the cement sector. The Company’s A-share listed subsidiary, Tianshan Cement plans to issue shares to the Company to purchase assets and plans to further raise funds. Through this reorganization, the Company will build a platform of a cement flagship listed company and promote the centralized management and regional operation to further optimize resources allocation. It will further promote various pilot reforms and change of incentive mechanism to enhance the cohesiveness and vitality of the company.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

The unaudited revenue of the Group decreased by 4.8% from RMB112,138.1 million for the six months ended 30 June 2019 to RMB106,787.6 million for the six months ended 30 June 2020. Unaudited profit attributable to equity holders decreased by 6.4% from RMB5,757.1 million for the six months ended 30 June 2019 to RMB5,386.6 million for the six months ended 30 June 2020.

Revenue

Our revenue for the six months ended 30 June 2020 amounted to RMB106,787.6 million, representing a decrease of 4.8% from RMB112,138.1 million for the six months ended 30 June 2019. This was primarily due to a decrease of RMB5,776.7 million in the revenue of the cement segment, a decrease of RMB2,313.4 million in the revenue of the engineering services segment, which partially offset by an increase of RMB2,683.1 million in the revenue of the new materials segment.

Cost of sales

Our cost of sales for the six months ended 30 June 2020 amounted to RMB74,182.8 million, representing a decrease of 5.8% from RMB78,786.8 million for the six months ended 30 June 2019. This was primarily due to a decrease of RMB4,976.1 million in the cost of sales of the cement segment, a decrease of RMB1,466.1 million in the cost of sales of the engineering services segment, which partially offset by an increase of RMB2,202.2 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 2020 amounted to RMB2,365.8 million, representing an increase of 12.0% from RMB2,112.1 million for the six months ended 30 June 2019. This was primarily due to the increase of RMB1,188.7 million in gain on disposal of property, plant and equipment and other assets, the increase of RMB205.2 million in the government grants and the increase of RMB40.4 million in the VAT returns, but which was partially offset by the decrease of RMB1,326.3 million in the net gain from the changes in the fair value of financial assets at fair value through profit or loss.

Selling and distribution costs

Selling and distribution costs decreased by 3.9% to RMB5,485.7 million for the six months ended 30 June 2020 from RMB5,708.0 million for the six months ended 30 June 2019. This was primarily due to a decrease of RMB153.0 million in transportation costs and a decrease of RMB10.1 million in packaging expenses.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Administrative expenses

Administrative expenses increased by 0.2% to RMB13,494.4 million for the six months ended 30 June 2020 from RMB13,473.4 million for the six months ended 30 June 2019. This was primarily due to the increase of RMB355.3 million in allowances for impairment of property, plant and equipment, the increase of RMB327.9 million in R&D fee, the increase of RMB270.8 million in allowances for impairment of goodwill, the increase of RMB256.4 million in allowances for impairment of receivables, and the increase of RMB129.4 million in labour costs, which was partially offset by a decrease of RMB1,789.5 million in litigation settlement.

Finance costs

Finance costs decreased by 18.2% to RMB3,818.9 million for the six months ended 30 June 2020 from RMB4,666.7 million for the six months ended 30 June 2019, 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 23.2% to RMB1,274.6 million for the six months ended 30 June 2020 from RMB1,035.0 million for the six months ended 30 June 2019, primarily due to an increase in the profit of the associates of the Group in cement business and partially offset by a decrease in the profit of China Jushi, our associate.

Income tax expense

Income tax expense decreased by 2.6% to RMB3,749.4 million for the six months ended 30 June 2020 from RMB3,849.1 million for the six months ended 30 June 2019.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 54.8% to RMB3,796.8 million for the six months ended 30 June 2020 from RMB2,452.6 million for the six months ended 30 June 2019. This was primarily due to the increase in operating profit of the new materials segment of the Group.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company decreased by 6.4% to RMB5,386.6 million for the six months ended 30 June 2020 from RMB5,757.1 million for the six months ended 30 June 2019. Net profit margin decreased to 5.0% for the six months ended 30 June 2020 from 5.1% for the six months ended 30 June 2019.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment

China United Cement

Revenue

Revenue of China United Cement decreased by 8.5% to RMB20,475.4 million for the six months ended 30 June 2020 from RMB22,373.6 million for the six months ended 30 June 2019, mainly attributable to the decrease in the average selling price and the decrease in the sales volumes of cement products and commercial concrete, which partially offset by the increase in the average selling price of commercial concrete.

Cost of sales

Cost of sales of China United Cement decreased by 5.0% to RMB14,575.1 million for the six months ended 30 June 2020 from RMB15,344.6 million for the six months ended 30 June 2019, mainly attributable to the decrease in the sales volume of cement products and commercial concrete and the decrease in coal price.

Gross profit and gross profit margin

Gross profit of China United Cement decreased by 16.1% to RMB5,900.3 million for the six months ended 30 June 2020 from RMB7,029.0 million for the six months ended 30 June 2019. Gross profit margin of China United Cement decreased from 31.4% for the six months ended 30 June 2019 to 28.8% for the six months ended 30 June 2020. The decrease in gross profit margin was mainly due to the decrease in the average selling price of cement products, partially offset by the decrease in coal price.

Operating profit

Operating profit of China United Cement decreased by 38.1% to RMB1,777.7 million for the six months ended 30 June 2020 from RMB2,872.2 million for the six months ended 30 June 2019. Operating profit margin of China United Cement decreased from 12.8% for the six months ended 30 June 2019 to 8.7% for the six months ended 30 June 2020. The decrease in operating profit margin was primarily due to the decrease in gross profit margin and the decrease in net gain from the changes in fair value of financial assets at fair value through profit or loss, partially offset by the decrease in allowances for impairment of property, plant and equipment and transportation costs and the increase in government grants and the VAT refund.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

South Cement

Revenue

Revenue of South Cement decreased by 4.4% to RMB28,472.9 million for the six months ended 30 June 2020 from RMB29,787.6 million for the six months ended 30 June 2019, mainly attributable to the decrease in the average selling price of cement products and the decrease in the sales volume of cement products and commercial concrete, partially offset by the increase in the average selling price of commercial concrete.

Cost of sales

Cost of sales of South Cement decreased by 8.7% to RMB18,710.7 million for the six months ended 30 June 2020 from RMB20,482.4 million for the six months ended 30 June 2019, mainly attributable to the decrease in the sales volume of cement products and commercial concrete and the decrease in the price of raw materials and coal price.

Gross profit and gross profit margin

Gross profit of South Cement increased by 4.9% to RMB9,762.3 million for the six months ended 30 June 2020 from RMB9,305.2 million for the six months ended 30 June 2019. Gross profit margin of South Cement increased from 31.2% for the six months ended 30 June 2019 to 34.3% for the six months ended 30 June 2020. This was mainly attributable to the increase in the average selling price of commercial concrete and the decrease in the price of raw materials and coal price, partially offset by the decrease in the average selling price of cement products.

Operating profit

Operating profit of South Cement increased by 34.1% to RMB6,219.1 million for the six months ended 30 June 2020 from RMB4,638.7 million for the six months ended 30 June 2019. Operating profit margin for the South Cement increased from 15.6% for the six months ended 30 June 2019 to 21.8% for the six months ended 30 June 2020. The increase in operating profit margin was primarily due to the increase in gross profit margin and the increase in gain from disposal of assets and government grants, partially offset by the increase in the allowances for impairment of property, plant and equipment.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

North Cement

Revenue

Revenue of North Cement decreased by 4.6% to RMB2,287.1 million for the six months ended 30 June 2020 from RMB2,398.1 million for the six months ended 30 June 2019, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the decrease in the sales volume of commercial concrete, partially offset by the increase in the sales volume of cement products.

Cost of sales

Cost of sales of North Cement increased by 3.4% to RMB1,946.2 million for the six months ended 30 June 2020 from RMB1,881.7 million for the six months ended 30 June 2019, mainly attributable to the increase in the sales volume of cement products and the increase in price of raw materials, partially offset by the decrease in the sales volume of commercial concrete.

Gross profit and gross profit margin

Gross profit of North Cement decreased by 34.0% to RMB340.9 million for the six months ended 30 June 2020 from RMB516.3 million for the six months ended 30 June 2019. Gross profit margin of North Cement decreased to 14.9% for the six months ended 30 June 2020 from 21.5% for the six months ended 30 June 2019, mainly attributable to the decrease in the average selling price of cement products and commercial concrete and the increase in price of raw materials.

Operating profit

Operating profit of North Cement decreased to RMB-617.2 million for the six months ended 30 June 2020 from RMB-123.8 million for the six months ended 30 June 2019. Operating profit margin of North Cement decreased from -5.2% for the six months ended 30 June 2019 to -27.0% for the six months ended 30 June 2020, primarily due to the decrease in the gross profit margin and the increase 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 12.6% to RMB12,332.1 million for the six months ended 30 June 2020 from RMB14,112.7 million for the six months ended 30 June 2019, mainly attributable to the decrease in the average selling price and sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of Southwest Cement decreased by 13.4% to RMB8,501.4 million for the six months ended 30 June 2020 from RMB9,816.6 million for the six months ended 30 June 2019, mainly attributable to the decrease in the sales volume of cement products and commercial concrete and the decrease in coal price.

Gross profit and gross profit margin

Gross profit of Southwest Cement decreased by 10.8% to RMB3,830.7 million for the six months ended 30 June 2020 from RMB4,296.1 million for the six months ended 30 June 2019. Gross profit margin of Southwest Cement increased from 30.4% for the six months ended 30 June 2019 to 31.1% for the six months ended 30 June 2020, mainly attributable to the decrease in coal price, partially offset by the decrease in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of Southwest Cement decreased by 43.0% to RMB1,471.4 million for the six months ended 30 June 2020 from RMB2,581.2 million for the six months ended 30 June 2019. Operating profit margin of the Southwest Cement decreased from 18.3% for the six months ended 30 June 2019 to 11.9% for the six months ended 30 June 2020, primarily due to the increase in allowances for the impairment of goodwill and property, plant and equipment, partially offset by the increase in the gross profit margin.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Sinoma Cement

Revenue

Revenue of Sinoma Cement decreased by 12.7% to RMB3,959.7 million for the six months ended 30 June 2020 from RMB4,537.4 million for the six months ended 30 June 2019, mainly attributable to the decrease in the sales volume of cement products and commercial concrete, partially offset by the increase in the average selling price of cement products and commercial concrete.

Cost of sales

Cost of sales of Sinoma Cement decreased by 12.0% to RMB2,363.3 million for the six months ended 30 June 2020 from RMB2,685.1 million for the six months ended 30 June 2019, mainly attributable to the decrease in the sales volume of cement products and commercial concrete and the decrease in coal price, partially offset by the increase in the price of raw materials.

Gross profit and gross profit margin

Gross profit of Sinoma Cement decreased by 13.8% to RMB1,596.4 million for the six months ended 30 June 2020 from RMB1,852.4 million for the six months ended 30 June 2019. Gross profit margin of Sinoma Cement decreased from 40.8% for the six months ended 30 June 2019 to 40.3% for the six months ended 30 June 2020, mainly attributable to the increase in the price of raw materials, partially offset by the decrease in the average selling price of cement products and commercial concrete and the decrease in coal price.

Operating profit

Operating profit of Sinoma Cement decreased by 18.9% to RMB1,212.3 million for the six months ended 30 June 2020 from RMB1,495.2 million for the six months ended 30 June 2019. Operating profit margin of Sinoma Cement decreased from 33.0% for the six months ended 30 June 2019 to 30.6% for the six months ended 30 June 2020. The decrease in operating profit margin was primarily due to the decrease in gross profit margin, the increase in the R&D expenses and the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss, partially offset by the increase in the VAT refund.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Tianshan Cement

Revenue

Revenue of Tianshan Cement decreased by 9.0% to RMB3,504.8 million for the six months ended 30 June 2020 from RMB3,853.5 million for the six months ended 30 June 2019, mainly attributable to the decrease in the average selling price and sales volumes of cement products and commercial concrete.

Cost of sales

Cost of sales of Tianshan Cement decreased by 13.2% to RMB2,154.7 million for the six months ended 30 June 2020 from RMB2,483.4 million for the six months ended 30 June 2019, mainly attributable to the decrease in the sales volumes of cement products and commercial concrete and the decrease in coal price.

Gross profit and gross profit margin

Gross profit of Tianshan Cement decreased by 1.5% to RMB1,350.1 million for the six months ended 30 June 2020 from RMB1,370.0 million for the six months ended 30 June 2019. Gross profit margin of Tianshan Cement increased from 35.6% for the six months ended 30 June 2019 to 38.5% for the six months ended 30 June 2020. The increase in gross profit margin was mainly due to the decrease in coal price, partially offset by the decrease in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of Tianshan Cement decreased by 19.1% to RMB1,017.3 million for the six months ended 30 June 2020 from RMB1,257.3 million for the six months ended 30 June 2019. Operating profit margin of Tianshan Cement decreased from 32.6% for the six months ended 30 June 2019 to 29.0% for the six months ended 30 June 2020. The decrease in operating profit margin was primarily due to the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss and the increase in allowances for impairment of account receivables, partially offset by the increase in gross profit margin.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Ningxia Building Materials

Revenue

Revenue of Ningxia Building Materials increased by 9.7% to RMB2,120.9 million for the six months ended 30 June 2020 from RMB1,933.3 million for the six months ended 30 June 2019, mainly attributable to the increase in the sales volume of cement products and commercial concrete, partially offset by the average selling price of cement products and commercial concrete.

Cost of sales

Cost of sales of Ningxia Building Materials increased by 6.6% to RMB1,369.0 million for the six months ended 30 June 2020 from RMB1,284.1 million for the six months ended 30 June 2019, mainly attributable to the increase in sales volume of cement products and commercial concrete, partially offset by the decrease in coal price.

Gross profit and gross profit margin

Gross profit of Ningxia Building Materials increased by 15.8% to RMB751.9 million for the six months ended 30 June 2020 from RMB649.2 million for the six months ended 30 June 2019. Gross profit margin of Ningxia Building Materials increased from 33.6% for the six months ended 30 June 2019 to 35.5% for the six months ended 30 June 2020. The increase in gross profit margin was mainly due to the increase in the average selling price of cement products and commercial concrete and the decrease in coal price.

Operating profit

Operating profit of Ningxia Building Materials increased by 37.1% to RMB545.0 million for the six months ended 30 June 2020 from RMB397.5 million for the six months ended 30 June 2019. Operating profit margin of Ningxia Building Materials increased from 20.6% for the six months ended 30 June 2019 to 25.7% for the six months ended 30 June 2020. The increase in operating profit margin was primarily due to the increase in gross profit margin and the VAT refund and the decrease in transportation costs, partially offset by the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Cement segment (Continued)

Qilianshan

Revenue

Revenue of Qilianshan increased by 16.5% to RMB3,339.0 million for the six months ended 30 June 2020 from RMB2,867.2 million for the six months ended 30 June 2019, mainly attributable to the increase in the average selling price and sales volume of cement products and commercial concrete.

Cost of sales

Cost of sales of Qilianshan increased by 5.2% to RMB1,967.0 million for the six months ended 30 June 2020 from RMB1,869.4 million for the six months ended 30 June 2019, mainly attributable to the increase in sales volume of cement products and commercial concrete.

Gross profit and gross profit margin

Gross profit of Qilianshan increased by 37.5% to RMB1,372.0 million for the six months ended 30 June 2020 from RMB997.8 million for the six months ended 30 June 2019. Gross profit margin of Qilianshan increased from 34.8% for the six months ended 30 June 2019 to 41.1% for the six months ended 30 June 2020. The increase in gross profit margin was mainly due to the increase in the average selling price of cement products and commercial concrete.

Operating profit

Operating profit of Qilianshan increased by 36.6% to RMB910.7 million for the six months ended 30 June 2020 from RMB666.8 million for the six months ended 30 June 2019. Operating profit margin of Qilianshan increased from 23.3% for the six months ended 30 June 2019 to 27.3% for the six months ended 30 June 2020. The increase in operating profit margin was primarily due to the increase in gross profit margin, partially offset by the decrease in net gain from the changes in the fair value of financial assets at fair value through profit or loss and the increase in allowances for the impairment of account receivables, packing expenses and transportation costs.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment

BNBM

Revenue

Revenue of BNBM increased by 16.0% to RMB6,727.4 million for the six months ended 30 June 2020 from RMB5,800.8 million for the six months ended 30 June 2019. This was mainly attributable to the new waterproof business for this period, partially offset by the decrease in the sales volumes and the average selling price of gypsum board.

Cost of sales

Cost of sales of BNBM increased by 17.7% to RMB4,737.4 million for the six months ended 30 June 2020 from RMB4,024.3 million for the six months ended 30 June 2019. This was mainly attributable to the new waterproof business for this period, partially offset by the decrease in the sales volumes of gypsum board.

Gross profit and gross profit margin

Gross profit of BNBM increased by 12.0% to RMB1,990.0 million for the six months ended 30 June 2020 from RMB1,776.5 million for the six months ended 30 June 2019. Gross profit margin of BNBM decreased to 29.6% for the six months ended 30 June 2020 from 30.6% for the six months ended 30 June 2019, mainly attributable to the decrease in the average selling price of gypsum board, partially offset by the decrease in the price of raw materials and coal.

Operating profit

Operating profit of BNBM increased to RMB1,142.9 million for the six months ended 30 June 2020 from RMB-573.7 million for the six months ended 30 June 2019. Operating profit margin of BNBM increased from -9.9% for the six months ended 30 June 2019 to 17.0% for the six months ended 30 June 2020, mainly attributable to the decrease in the litigation settlement expenses, partially offset by the decrease in the gross profit margin and the decrease in the VAT returns.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment (Continued)

Sinoma Science & Technology

Revenue

Revenue of Sinoma Science & Technology increased by 25.0% to RMB7,441.9 million for the six months ended 30 June 2020 from RMB5,951.2 million for the six months ended 30 June 2019, mainly attributable to the increase in the average selling price of wind power blade and the sales volume of wind power blade and glass fiber yarn, partially offset by the decrease in the average selling price of glass fiber yarn.

Cost of sales

Cost of sales of Sinoma Science & Technology increased by 24.8% to RMB5,439.9 million for the six months ended 30 June 2020 from RMB4,359.2 million for the six months ended 30 June 2019, mainly attributable to the increase in the sales volume of wind power blade.

Gross profit and gross profit margin

Gross profit of Sinoma Science & Technology increased by 25.8% to RMB2,002.0 million for the six months ended 30 June 2020 from RMB1,592.0 million for the six months ended 30 June 2019. Gross profit margin of Sinoma Science & Technology increased to 26.9% for the six months ended 30 June 2020 from 26.8% for the six months ended 30 June 2019. The increase in gross profit margin was mainly attributable to the increase in the average selling price of wind power blade, partially offset by the decrease in the average selling price of glass fiber yarn.

Operating profit

Operating profit of Sinoma Science & Technology increased by 42.7% to RMB1,303.1 million for the six months ended 30 June 2020 from RMB912.9 million for the six months ended 30 June 2019. The operating profit margin of Sinoma Science & Technology increased to 17.5% for the six months ended 30 June 2020 from 15.3% for the six months ended 30 June 2019, mainly attributable to the increase in gross profit margin and government grants, partially offset by the increase in R&D expenses.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment (Continued)

China Composites

Revenue

Revenue of China Composites increased by 47.8% to RMB2,117.4 million for the six months ended 30 June 2020 from RMB1,433.0 million for the six months ended 30 June 2019, mainly attributable to the increase in the average selling price and sales volume of wind power blade.

Cost of sales

Cost of sales of China Composites increased by 41.7% to RMB1,641.8 million for the six months ended 30 June 2020 from RMB1,158.5 million for the six months ended 30 June 2019, mainly attributable to the increase in the sales volume of wind power blade.

Gross profit and gross profit margin

Gross profit of China Composites increased by 73.2% to RMB475.6 million for the six months ended 30 June 2020 from RMB274.5 million for the six months ended 30 June 2019. Gross profit margin of China Composites increased to 22.5% for the six months ended 30 June 2020 from 19.2% for the six months ended 30 June 2019. The increase in gross profit margin was mainly attributable to the increase in the average selling price of wind power blade.

Operating profit

Operating profit of China Composites increased by 53.3% to RMB230.6 million for the six months ended 30 June 2020 from RMB150.4 million for the six months ended 30 June 2019. The operating profit margin of China Composites increased to 10.9% for the six months ended 30 June 2020 from 10.5% for the six months ended 30 June 2019. The increase in operating profit margin was mainly attributable to the increase in the gross profit margin, but was partially offset by the increase in allowances for impairment of receivables.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

New materials segment (Continued)

Sinoma Advanced

Revenue

Revenue of Sinoma Advanced decreased by 13.1% to RMB452.5 million for the six months ended 30 June 2020 from RMB520.9 million for the six months ended 30 June 2019, mainly attributable to the decrease in average selling price and sales volume of solar-energy fused silica crucibles.

Cost of sales

Cost of sales of Sinoma Advanced decreased by 19.1% to RMB355.8 million for the six months ended 30 June 2020 from RMB439.8 million for the six months ended 30 June 2019, mainly due to the decrease in sales volume of solar-energy fused silica crucibles.

Gross profit and gross profit margin

Gross profit of Sinoma Advanced increased by 19.3% to RMB96.7 million for the six months ended 30 June 2020 from RMB81.1 million for the six months ended 30 June 2019. Gross profit margin of Sinoma Advanced increased to 21.4% for the six months ended 30 June 2020 from 15.6% for the six months ended 30 June 2019. The increase in gross profit margin was mainly attributable to the increase in the gross profit margin of electromagnetic insulator and nitrides.

Operating profit

Operating profit of Sinoma Advanced increased by 35.9% to RMB14.3 million for the six months ended 30 June 2020 from RMB10.5 million for the six months ended 30 June 2019. The operating profit margin of Sinoma Advanced increased to 3.2% for the six months ended 30 June 2020 from 2.0% for the six months ended 30 June 2019. The increase in operating profit margin was mainly attributable to the increase in gross profit margin, partially offset by the decrease in government grants.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Engineering services segment

Sinoma International

Revenue

Revenue of Sinoma International decreased by 18.5% to RMB9,192.1 million for the six months ended 30 June 2020 from RMB11,276.1 million for the six months ended 30 June 2019, mainly attributable to the decrease in completed construction services in the period.

Cost of sales

Cost of sales of Sinoma International decreased by 18.2% to RMB7,748.4 million for the six months ended 30 June 2020 from RMB9,476.5 million for the six months ended 30 June 2019, mainly attributable to the decrease in completed construction services in the period.

Gross profit and gross profit margin

Gross profit of Sinoma International decreased by 19.8% to RMB1,443.6 million for the six months ended 30 June 2020 from RMB1,799.6 million for the six months ended 30 June 2019. Gross profit margin of Sinoma International decreased to 15.7% for the six months ended 30 June 2020 from 16.0% for the six months ended 30 June 2019, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma International decreased by 31.6% to RMB540.0 million for the six months ended 30 June 2020 from RMB789.1 million for the six months ended 30 June 2019. Operating profit margin of Sinoma International decreased to 5.9% for the six months ended 30 June 2020 from 7.0% for the six months ended 30 June 2019, mainly attributable to the decrease in gross profit margin, but was partially offset by increase 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 2.3% to RMB4,590.2 million for the six months ended 30 June 2020 from RMB4,488.8 million for the six months ended 30 June 2019, mainly attributable to the increase in completed construction services in the period.

Cost of sales

Cost of sales of China Triumph increased by 4.6% to RMB3,420.9 million for the six months ended 30 June 2020 from RMB3,269.9 million for the six months ended 30 June 2019, mainly attributable to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit of China Triumph decreased by 4.1% to RMB1,169.2 million for the six months ended 30 June 2020 from RMB1,218.9 million for the six months ended 30 June 2019. Gross profit margin of China Triumph decreased to 25.5% for the six months ended 30 June 2020 from 27.2% for the six months ended 30 June 2019, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of China Triumph decreased by 1.2% to RMB589.3 million for the six months ended 30 June 2020 from RMB596.8 million for the six months ended 30 June 2019. Operating profit margin of China Triumph decreased to 12.8% for the six months ended 30 June 2020 from 13.3% for the six months ended 30 June 2019, mainly attributable to the decrease in gross profit margin and government grants, partially offset by the decrease in allowances for impairment of receivables.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Engineering services segment (Continued)

Sinoma Mining

Revenue

Revenue of Sinoma Mining increased by 20.6% to RMB2,135.4 million for the six months ended 30 June 2020 from RMB1,770.1 million for the six months ended 30 June 2019, mainly attributable to the increase in completed construction services in the period, partially offset by the decrease in the average selling price and the sales volume of aggregate.

Cost of sales

Cost of sales of Sinoma Mining increased by 24.5% to RMB1,743.5 million for the six months ended 30 June 2020 from RMB1,399.8 million for the six months ended 30 June 2019, mainly attributable to the increase in completed construction services in the period, partially offset by the decrease in sales volume of aggregate.

Gross profit and gross profit margin

Gross profit of Sinoma Mining increased by 5.9% to RMB391.9 million for the six months ended 30 June 2020 from RMB370.2 million for the six months ended 30 June 2019. Gross profit margin of Sinoma Mining decreased to 18.4% for the six months ended 30 June 2020 from 20.9% for the six months ended 30 June 2019, mainly attributable to the decrease in gross profit margin of EPC projects.

Operating profit

Operating profit of Sinoma Mining decreased by 7.9% to RMB228.0 million for the six months ended 30 June 2020 from RMB247.6 million for the six months ended 30 June 2019. Operating profit margin of Sinoma Mining decreased to 10.7% for the six months ended 30 June 2020 from 14.0% for the six months ended 30 June 2019. The decrease in operating profit margin was mainly attributable to the decrease in gross profit margin and the increase in R&D expenses.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources

As at 30 June 2020, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB272,206.9 million in total.

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

	As at 30 June 2020	As at 31 December 2019
	<i>(RMB in millions)</i>	
Bank loans	109,408.0	110,146.4
Bonds	74,948.6	74,809.6
Borrowings from non-financial institutions	1,279.6	1,276.8
Total	185,636.2	186,232.8

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

	As at 30 June 2020	As at 31 December 2019
	<i>(RMB in millions)</i>	
Borrowings are repayable as follows:		
Within one year or on demand	105,394.6	97,737.2
Between one and two years	33,785.1	28,471.1
Between two and three years	19,556.9	39,380.7
Between three and five years(inclusive of both years)	20,208.5	15,522.4
Over five years	6,691.1	5,121.4
Total	185,636.2	186,232.8

As at 30 June 2020, bank loans in the aggregate amount of RMB1,919.5 million were secured by assets of the Group with a total amount of RMB8,299.6 million.

As at 30 June 2020 and 31 December 2019, the debt to assets ratio of the Group, calculated by dividing total borrowings by total assets of the Group, were 40.6% and 41.7%, 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 2020	As at 31 December 2019
	<i>(RMB in millions)</i>	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	300.8	201.1

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 2020 by segment:

	For the six months ended 30 June 2020	
	(RMB in millions)	% of total
Cement	7,106.4	65.5
Commercial concrete	496.5	4.6
New materials	2,610.8	24.1
Engineering services	482.8	4.4
Others	155.1	1.4
Total	10,851.6	100.0

CASH FLOW FROM OPERATING ACTIVITIES

During the six months ended 30 June 2020, our net cash inflow generated from operating activities was RMB20,560.9 million. Such net cash inflow was primarily due to RMB24,932.4 million of cash flow from operating activities before the change in working capital, while trade and other payables increased by RMB8,894.0 million. However, such net cash inflow was partially offset by the increase of RMB7,300.1 million in trade and other receivables and the increase of RMB2,404.7 million in inventories.

CASH FLOW FROM INVESTING ACTIVITIES

During the six months ended 30 June 2020, our net cash outflow to investing activities was RMB10,960.4 million, which was primarily due to the purchase of property, plant and equipment amounting to RMB8,833.2 million, purchase of intangible assets amounting to RMB1,318.6 million and deposits paid amounting to RMB3,619.4 million. However, such net cash outflow was partially offset by the receipt of payments amounting to RMB1,127.4 million from disposals of property, plant and equipment and investment properties.

CASH FLOW FROM FINANCING ACTIVITIES

During the six months ended 30 June 2020, our net cash outflow to financing activities was RMB8,983.9 million, which was primarily due to the interest payment amounting to RMB4,166.8 million and dividends payment amounting to RMB5,258.9 million.

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

At the annual general meeting of the Company held on 22 May 2020, the Company declared a final dividend of RMB2,952,169,731.70 in total (tax inclusive) for the period from 1 January 2019 to 31 December 2019 for the Shareholders whose names appeared on the register of members of the Company on 2 June 2020, representing RMB0.350 per Share (tax inclusive).

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020.

MATERIAL TRANSACTIONS

During the Reporting Period, the Company has not entered into any material transactions.

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 and the 2019 annual report.

Significant Events (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Transactions with Parent Group

For the six months ended 30 June 2020, the Group's expenses from the Parent Group amounted to approximately RMB19.72 million, representing approximately 0.03% 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 approximately RMB353.58 million, representing approximately 0.33% 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 approximately RMB481.09 million, representing approximately 0.65% 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 RMB15.65 million, representing approximately 0.02% 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 approximately RMB400.07 million, representing approximately 0.37% of the total income of the Group for the same period. The rental paid for leasing property from the Parent Group amounted to approximately RMB0.29 million, representing approximately 0.0004% of the total cost of sales of the Group for the same period. The revenue from leasing property to the Parent Group amounted to approximately RMB46.07 million, representing approximately 0.04% 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 RMB7,906.61 million. The Group's expenses in respect of other financial services provided by the Finance Company amounted to RMB55,335.74.

Partially Exempt Connected Transactions

For the six months ended 30 June 2020 and up to the date of this report, the following transactions constitute connected transactions and were exempt from independent Shareholders' approval requirements and were only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Significant Events (Continued)

CONNECTED TRANSACTIONS (CONTINUED)

Establishment of Joint Ventures

Establishment of CNBM (Ruichang) Optoelectronic Materials Co., Ltd.

On 20 April 2020, CNBM New Material, an indirect subsidiary of the Company, entered into a shareholders agreement with Triumph Technology and CNBM (Chengdu) (both being indirect subsidiaries of the Parent), pursuant to which the parties agreed to establish a joint venture in Ruichang, Jiujiang, Jiangxi Province, the PRC. The registered capital of the joint venture is RMB1,000 million, of which CNBM New Material, Triumph Technology and CNBM (Chengdu) agreed to subscribe RMB450 million, RMB450 million and RMB100 million, respectively, representing 45%, 45% and 10% of the registered capital of the joint venture, respectively.

Details of the establishment of the joint venture have been disclosed in the Company's announcement dated 20 April 2020. As of the date of this report, such transaction has been completed.

Establishment of CNBM (Chizhou) New Materials Co., Ltd.

On 22 May 2020, CNBM New Material, an indirect subsidiary of the Company, entered into a shareholders agreement with Anhui Non-metallic Mining (an indirect subsidiary of the Parent), Chizhou Transport, Chizhou Jinqiao and Chizhou Construction, pursuant to which the parties agreed to establish the joint venture in Guichi District, Chizhou, Anhui Province, the PRC. The registered capital of the joint venture is RMB1,000 million, of which CNBM New Material, Anhui Non-metallic Mining, Chizhou Transport, Chizhou Jinqiao and Chizhou Construction agreed to subscribe for RMB600 million, RMB100 million, RMB100 million, RMB100 million and RMB100 million, respectively, representing 60%, 10%, 10%, 10% and 10% of the registered capital of the joint venture, respectively.

Details of the establishment of the joint venture have been disclosed in the Company's announcement dated 22 May 2020. As of the date of this report, such transaction 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 for the six months ended 30 June 2020; and with respect to code provision A.4.2, every director should be subject to retirement by rotation at least once every three years, and the current session of the Board elected on 27 May 2016 are 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 former Directors, have retired. Mr. Chang Zhangli was re-designated from an executive Director to a non-executive Director. At the 2017 annual general meeting of the Company held on 13 June 2018, Mr. Peng Jianxin was elected by 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 executive Director on 30 July 2019 due to retirement. Ms. Xu Weibing resigned as a non-executive Director due to her retirement. The resignation has been effective 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.

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 based on the authorisation of the Board; and making recommendations to the Board. During the Reporting Period, the strategic steering committee has reviewed the operation of the Company in 2019, proposals relating to the working arrangement in 2020 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, directed by the board diversity policy, the annual review of the structure, size and composition of the Board (in terms of techniques, knowledge and experience), providing recommendations to the Board in respect of any adjustments to be made in accordance with the Company's strategies and examining the selection criteria and procedures for 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 the structure, size and composition of the Board and the special committees, diversity of the Board as well as the independence of the independent non-executive Directors, and approved six proposals in total, including the adjustment of the Directors of the fourth session of the Board, the chairman of the fourth session of the audit committee of the Board, the adjustment of directors of subsidiaries, the adjustment of directors of Sinoma Mining 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 2019.

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. In view of the resignation of Mr. Qian Fengsheng as an independent non-executive Director, the eleventh meeting of the fourth session of the Board held on 23 March 2020 elected Mr. Li Jun as a member of the fourth session of the audit committee of the Board and also as the chairman of audit committee, effective from the time when Mr. Li Jun was appointed as the independent non-executive Director at the annual general meeting of the Company held on 22 May 2020. 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 reviewed the 2019 conclusion of internal audit work of the Company, the 2020 working plan, the appointment of auditors for the year 2020, determination of audit expenses for the year 2019, the 2019 annual report and the 2020 interim report of the Company.

INTERNAL CONTROL

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

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

Significant Events (Continued)

MODEL CODE

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

SHARE CAPITAL STRUCTURE

	As at 30 June 2020	
	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

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

For the six months ended 30 June 2020, the Company has publicly bought back the "17 Sinoma 02" bonds on the Shanghai Stock Exchange. The repurchase price was face value of the bond (RMB100 each bond) and the cancellation was RMB1,212,000,000, the bond has been fully repurchased.

Except for the aforementioned listed securities ("securities" having the meaning ascribed by the Listing Rules), for the six months ended 30 June 2020, the Company and its subsidiaries had no other purchase, sale or redemption of listed securities 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 and 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 BNBM, 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 and the 2019 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, and the litigation of these plaintiffs will continue. In addition, the case of The Mitchell Co., Inc. against Knauf Gips KG is also ongoing. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further announcements if and when necessary or appropriate.

Significant Events (Continued)

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2020, the Group had approximately 154,569 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.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

It was announced at the twentieth Extraordinary Meeting of the fourth session of the Board held on 27 December 2019 that Ms. Lo Yee Har Susan had ceased to serve as a joint company secretary of the Company and an agent for the service of process and notices on behalf of the Company in Hong Kong (the "Process Agent") under the Rule 19A.13(2) of the Listing Rules with effect from 1 January 2020. Following the cessation of Ms. Lo Yee Har Susan, Ms. Lee Mei Yi was appointed as a joint company secretary of the Company and the Process Agent on 1 January 2020.

On 22 May 2020, Mr. Qian Fengsheng ceased to serve as an independent non-executive Director of the fourth session of the Board for personal reasons, and Mr. Li Jun was appointed as an independent non-executive Director to replace Mr. Qian Fengsheng at the annual general meeting of the Company held on 22 May 2020. Ms. Zhou Guoping ceased to serve as a Supervisor of the fourth session of the Supervisory Committee due to work adjustment, and Mr. Wang Yumeng was appointed as an Supervisor of the fourth session of the Supervisory Committee to replace Ms. Zhou Guoping at the annual general meeting of the Company held on 22 May 2020.

On 11 June 2020, Mr. Wang Yingcai ceased to serve as the staff representative Supervisor of the fourth session of the Supervisory Committee, and Mr. Xu Qian was elected as the staff representative Supervisor of the fourth session of the Supervisory Committee to replace Mr. Wang Yingcai at the staff general meeting of the Company.

On 16 July 2020, Mr. Fu Jinguang was nominated as an executive Director of the fourth session of the Board by the Parent, and such proposed appointment is subject to the approval of the Shareholders at an extraordinary general meeting of the Company.

Significant Events (Continued)

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

On 30 July 2020, Ms. Cui Shuhong ceased to serve as the staff representative Supervisor of the fourth session of the Supervisory Committee due to work adjustment, and Ms. Yu Yuehua was elected as the staff representative Supervisor of the fourth session of the Supervisory Committee at the staff general meeting of the Company.

For details of the above changes, please refer to the announcement dated 27 December 2019, the announcement dated 23 March 2020, the circular dated 3 April 2020, the announcements dated 22 May 2020, the announcement dated 11 June 2020, the announcement dated 16 July 2020 and the announcement dated 30 July 2020 of the Company.

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. Cao Jianglin, an executive Director of the Company, resigned as the chairman and the supervisor of the the supervisory committee of BNBM with effect from 18 August 2020. Mr. Cao Jianglin continues to perform his duties as the chairman and the supervisor of the supervisory committee of BNBM until the date when new supervisors are elected at the general meeting of BNBM.

Mr. Chen Yongxin, a non-executive Director of the Company, ceased to act as the vice chairman and the director of CNBM Investment from July 2020.

EQUITY INCENTIVE PLAN

On 6 December 2017, Sinoma International Engineering 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”), 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 is RMB9.27.

Significant Events (Continued)

EQUITY INCENTIVE PLAN (CONTINUED)

Given Sinoma International's two distributions of profit in May 2018 and June 2019 respectively, in accordance with the relevant provisions under the Equity Incentive Plan for adjustment of the exercise price, Sinoma International approved that the exercise price changed to RMB8.837/share at the board meeting of Sinoma International held on 20 March 2020. 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. During the Reporting Period, after the above-mentioned adjustment, the number of the participants who were granted under the Equity Incentive Plan was changed from 489 to 463, and the number of share option granted was changed from 17,424,500 to 16,770,220. 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.

In view of the profit distribution for 2019 by Sinoma International in June 2020, Sinoma International further adjusted the exercise price of the share equity incentive plan from RMB8.837 per share to RMB8.536 per share at the board meeting of Sinoma International held on 18 August 2020, pursuant to the relevant requirements under the Equity Incentive Plan in relation to the price adjustment.

The exercise periods of the Sinoma International Share Options, which were all granted on 7 December 2017, 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

Significant Events (Continued)

EQUITY INCENTIVE PLAN (CONTINUED)

The number of outstanding Sinoma International Share Options as at 1 January 2020 was 17.4245 million, due to the above adjustment, in March 2020, the number of outstanding Sinoma International Share Options at 30 June 2020 was 16.77022 million.

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 2020, 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	504,991,734			
	Domestic Shares	Long	Interest of controlled corporations	2,984,713,973			
				3,489,705,707	2,3	78.33	41.37
	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	4		
				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	410,252,200	3	9.21	4.86
Taishan Finance	Domestic Shares	Long	Interest of controlled corporations	263,318,181	5	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
Taishan Investment	Domestic Shares	Long	Beneficial owner	263,318,181	5	5.91	3.12
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	5.11	2.70
BlackRock, Inc.	H Shares	Long	Interest of controlled corporations	237,010,830	6	6.12	2.80
		Short	Interest of controlled corporations	1,746,000	6	0.04	0.02
Citigroup Inc.	H Shares	Long	Interest of controlled corporations	7,952,715			
		Long	Approved lending agent	192,382,992			
				200,335,707	7	5.17	2.37
	H Shares	Short	Interest of controlled corporations	7,438,745	7	0.19	0.08
Forchn International	Unlisted Foreign Shares	Lending Pool	-	192,382,992	7	4.97	2.28
		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 2020, 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 3,489,705,707 Shares, 504,991,734 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. Pursuant to a share transfer agreement dated 31 December 2009 entered into between the Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to the Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between the Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to the Parent ("Second Transfer of Shares"). As the proposal in relation to bonus issue of shares on the basis of ten bonus shares for every ten shares held by shareholders of the Company was passed at the 2010 annual general meeting of the Company, the Parent and Cinda entered into a supplemental agreement to the aforesaid two share transfer agreements on 31 August 2012, whereby Cinda agreed to adjust the 61,800,137 Domestic Shares of the Company transferred to the Parent to 123,600,274 Domestic Shares. Consequently, under the SFO, the Parent was deemed to own 3,613,305,981 Domestic Shares (representing 81.11% in the domestic share capital and 42.84% in the total share capital) and Cinda was deemed to own 286,651,926 Domestic Shares (representing 6.43% in the domestic share capital and 3.40% in the total share capital). On 7 August 2020, the formalities in respect of the share transfer registration between the Parent and Cinda with the China Securities Depository and Clearing Corporation Limited was completed.
4. 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.
5. 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)

6. BlackRock, Inc. was deemed to hold interests in a total of 237,010,830 H Shares (long position) and 1,746,000 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
 - 6.1 BlackRock Investment Management, LLC held 1,068,536 H Shares (long position) in the Company. BlackRock Investment Management, LLC was an indirect wholly-owned subsidiary of BlackRock, Inc..
 - 6.2 BlackRock Financial Management, Inc. held 6,170,000 H Shares (long position) in the Company. BlackRock Financial Management, Inc. was an indirect wholly-owned subsidiary of BlackRock, Inc..
 - 6.3 BlackRock Institutional Trust Company, National Association held 49,024,479 H Shares (long position) and 1,672,000 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..
 - 6.4 BlackRock Fund Advisors held 60,840,850 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..
 - 6.5 BlackRock Advisors, LLC held 144,000 H Shares (long position) in the Company. BlackRock Advisors, LLC was an indirect wholly-owned subsidiary of BlackRock Inc..
 - 6.6 BlackRock Japan Co., Ltd. held 36,503,200 H Shares (long position) in the Company. BlackRock Japan Co., Ltd. was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..
 - 6.7 BlackRock Asset Management Canada Limited held 2,042,000 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 owned 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)

6. (Continued)

- 6.8 BlackRock Investment Management (Australia) Limited held 1,287,750 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..
- 6.9 BlackRock Asset Management North Asia Limited held 2,381,677 H Shares (long position) in the Company. BlackRock Asset Management North Asia Limited was an indirect wholly-owned subsidiary of BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..
- 6.10 BlackRock (Netherlands) B.V. held 616,000 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..
- 6.11 BlackRock Advisors (UK) Limited held 5,240,000 H Shares (long position) in the Company. BlackRock Advisors (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..
- 6.12 BlackRock International Limited held 414,000 H Shares (long position) in the Company. BlackRock International Limited was a direct wholly-owned subsidiary of BlackRock Group Limited, which in turn was indirectly held as to 90% by BR Jersey International Holdings L.P., which in turn was indirectly held as to 86% by BlackRock, Inc..
- 6.13 BlackRock Asset Management Ireland Limited held 21,789,727 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..
- 6.14 BLACKROCK (Luxembourg) S.A. held 354,000 H Shares (long position) and 74,000 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..

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)

7. Citigroup Inc. was deemed to hold interests in a total of 200,335,707 H Shares (long position) and 7,438,745 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
 - 7.1 Citibank, N.A. held 193,053,142 H Shares (long position) and 646,000 H Shares (short position) in the Company. Citibank, N.A. was an indirect wholly-owned subsidiary of Citigroup Inc..
 - 7.2 Citigroup Global Markets Hong Kong Limited held 1,101,745 H Shares (long position) and 670,745 H Shares (short position) in the Company. Citigroup Global Markets Hong Kong Limited was an indirect wholly-owned subsidiary of Citigroup Inc..
 - 7.3 Citigroup Global Markets Inc. held 72,000 H Shares (long position) in the Company. Citigroup Global Markets Inc. was an indirect wholly-owned subsidiary of Citigroup Inc..
 - 7.4 Citigroup Global Markets Limited held 6,096,720 H Shares (long position) and 6,122,000 H Shares (short position) in the Company. Citigroup Global Markets Limited was a direct wholly-owned subsidiary of Citigroup Global Markets Holdings Bahamas Limited, which in turn was directly held as to 90% by Citigroup Financial Products Inc., which in turn was indirectly wholly-owned by Citigroup Inc..
 - 7.5 Citicorp Trust Delaware, National Association held 12,100 H Shares (long position) in the Company. Citicorp Trust Delaware, National Association was an indirect wholly-owned subsidiary of Citigroup 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)

7. (Continued)

The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 192,382,992 H Shares. Besides, 1,766,250 H Shares (long position) and 5,067,000 H Shares (short position) of Citigroup Inc. in the Company were held through derivatives as follows:

694,250 H Shares (long position) and 368,000 H Shares (short position)	–	through physically settled listed derivatives
1,040,000 H Shares (long position) and 837,000 H Shares (short position)	–	through physically settled unlisted derivatives
32,000 H Shares (long position) and 3,862,000 H Shares (short position)	–	through cash settled unlisted derivatives

Save as disclosed above, as at 30 June 2020, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

II. Interests and Short Positions of Directors and Supervisors

As at 30 June 2020, 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 85 to 152, which comprises the condensed consolidated statement of financial position as at 30 June 2020 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other 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, 28 August 2020

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Revenue	5	106,787,612	112,138,141
Cost of sales		(74,182,766)	(78,786,797)
Gross profit		32,604,846	33,351,344
Investment and other income, net	6	2,365,826	2,112,127
Selling and distribution costs		(5,485,672)	(5,708,025)
Administrative expenses		(13,494,407)	(13,473,434)
Finance costs, net	7	(3,818,861)	(4,666,654)
Share of profits of associates		1,274,622	1,034,997
Share of losses of joint ventures		(2,193)	(401)
Profit before income tax	8	13,444,161	12,649,954
Income tax expense	9	(3,749,357)	(3,849,091)
Profit for the period		9,694,804	8,800,863
Profit attributable to:			
Owners of the Company		5,386,571	5,755,911
Holders of perpetual capital instruments		511,424	591,168
Non-controlling interests		3,796,809	2,453,784
		9,694,804	8,800,863
		RMB	RMB
Earnings per share – basic and diluted	11	0.639	0.682

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

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Profit for the period	9,694,804	8,800,863
Other comprehensive income/(expense), net of tax:		
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit obligations	1,637	(1,700)
Changes in the fair value of equity instruments at fair value through other comprehensive income, net	(1,188)	325
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	52,798	81,080
Share of associates' other comprehensive income/(expense)	49,308	(8,067)
Share of joint ventures' other comprehensive expense	(969)	(618)
Other comprehensive income for the period, net of tax	101,586	71,020
Total comprehensive income for the period	9,796,390	8,871,883
Total comprehensive income attributable to:		
Owners of the Company	5,479,248	5,822,177
Holders of perpetual capital instruments	511,424	591,168
Non-controlling interests	3,805,718	2,458,538
Total comprehensive income for the period	9,796,390	8,871,883

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 2020

(Expressed in Renminbi)

		30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment	12	171,499,086	173,141,115
Right-of-use assets	13	30,596,147	31,551,144
Investment properties		937,163	971,689
Goodwill	14	36,375,203	37,886,421
Intangible assets		15,045,674	12,182,414
Interests in associates	15	17,816,163	15,875,435
Interests in joint ventures		95,704	98,866
Financial assets at fair value through profit or loss	18	2,420,684	2,569,191
Financial assets at fair value through other comprehensive income		7,268	8,664
Deposits	16	3,903,451	2,931,857
Trade and other receivables	17	10,267,765	6,323,458
Deferred income tax assets		6,307,255	5,850,924
		295,271,563	289,391,178
Current assets			
Inventories		22,281,614	20,021,854
Trade and other receivables	17	101,912,453	98,054,401
Financial assets at fair value through profit or loss	18	4,583,156	6,523,573
Derivative financial instruments		10,705	5,254
Amounts due from related parties	30(b)	3,489,032	3,251,516
Pledged bank deposits	19	5,247,300	5,127,107
Cash and cash equivalents		24,717,159	24,082,935
		162,241,419	157,066,640
Assets classified as held-for-sale	20	33,636	90,159
		162,275,055	157,156,799

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2020

(Expressed in Renminbi)

	Note	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Current liabilities			
Trade and other payables	21	96,427,300	89,285,125
Amounts due to related parties	30(b)	5,245,258	5,197,240
Borrowings – amount due within one year	22	103,914,844	97,737,246
Lease liabilities		683,399	1,514,279
Derivative financial instruments		20,327	17,729
Employee benefits payable	23	4,603	3,861
Current income tax liabilities		3,636,761	4,309,586
Financial guarantee contracts		64,000	64,000
Dividends payable to non-controlling interests		479,259	236,629
		210,475,751	198,365,695
Net current liabilities		(48,200,696)	(41,208,896)
Total assets less current liabilities		247,070,867	248,182,282
Non-current liabilities			
Borrowings – amount due after one year	22	81,721,354	88,495,563
Deferred income		2,148,282	3,201,890
Lease liabilities		2,885,542	2,708,106
Employee benefits payable	23	245,680	251,392
Deferred income tax liabilities		2,204,393	2,268,419
		89,205,251	96,925,370
Net assets		157,865,616	151,256,912

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2020

(Expressed in Renminbi)

	<i>Note</i>	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Capital and reserves			
Share capital	24	8,434,771	8,434,771
Reserves		74,986,189	72,201,142
Equity attributable to:			
Owners of the Company		83,420,960	80,635,913
Holder of perpetual capital instruments		22,085,633	20,785,279
Non-controlling interests		52,359,023	49,835,720
Total equity		157,865,616	151,256,912

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 2020

(Expressed in Renminbi)

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Fair value reserve RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2019 and 1 January 2020 (audited)	8,434,771	1,788,736	12,057,495	7,185,250	(3,041)	9,722	(8,860)	(344,104)	51,515,944	80,635,913	20,785,279	49,835,720	151,256,912
Profit for the period	-	-	-	-	-	-	-	-	5,386,571	5,386,571	511,424	3,796,809	9,694,804
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
Changes 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 expenses	-	-	(584)	-	-	-	-	-	-	(584)	-	(385)	(969)
Total comprehensive income/(expenses) for the period (unaudited)	-	-	13,812	-	(1,081)	-	-	79,946	5,386,571	5,479,248	511,424	3,805,718	9,796,390
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
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,328	1,328
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	285,600	285,600
Increase in non-controlling interest as a result of acquisition of new subsidiaries	-	-	-	-	-	-	-	-	-	-	-	132,554	132,554
Deemed partial disposal of interest 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	-	-	167,300	(2,852)	-	-	-	-	1,952	166,400	-	(295,761)	(129,361)
Balance at 30 June 2020 (unaudited)	8,434,771	1,788,736	12,328,891	7,263,990	(4,122)	11,007	(8,860)	(264,158)	53,870,705	83,420,960	22,085,633	52,359,023	157,865,616

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Fair value reserve RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019													
As previously reported	8,434,771	1,788,736	12,322,555	4,969,999	(6,758)	5,331	(3,755)	(250,031)	45,023,957	72,284,805	22,219,087	42,002,310	136,506,202
- Adjustment for business combination under common control	-	-	298,993	-	-	-	-	-	(762,202)	(463,209)	-	(115,616)	(578,825)
Balance at 1 January 2019, as restated (unaudited)	8,434,771	1,788,736	12,621,548	4,969,999	(6,758)	5,331	(3,755)	(250,031)	44,261,755	71,821,596	22,219,087	41,886,694	135,927,377
Profit for the period	-	-	-	-	-	-	-	-	5,755,911	5,755,911	591,168	2,453,784	8,800,863
Other comprehensive (expenses)/income, net of tax													
Actuarial loss on defined benefit obligations	-	-	(402)	-	-	-	-	-	-	(402)	-	(1,298)	(1,700)
Currency translation differences	-	-	-	-	-	-	-	74,811	-	74,811	-	6,269	81,080
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	296	-	-	-	-	296	-	29	325
Share of associates' other comprehensive income/(expenses)	-	-	2,940	-	-	-	-	(11,007)	-	(8,067)	-	-	(8,067)
Share of joint ventures' other comprehensive expenses	-	-	(372)	-	-	-	-	-	-	(372)	-	(246)	(618)
Total comprehensive income for the period (restated and unaudited)	-	-	2,166	-	296	-	-	63,804	5,755,911	5,822,177	591,168	2,458,538	8,871,883
Dividends (Note 10)	-	-	-	-	-	-	-	-	(1,518,259)	(1,518,259)	-	-	(1,518,259)
Dividends paid to the non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,716,265)	(2,716,265)
Increase in non-controlling interests as a result of acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,218	2,218
Disposal of subsidiaries (Note 25(b))	-	-	-	-	-	-	-	-	-	-	-	2,095	2,095
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	6,760	6,760
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries (Note 26(a))	-	-	(152,509)	-	-	-	-	-	-	(152,509)	-	(77,491)	(230,000)
Deemed partial disposal of interest in subsidiaries without losing control	-	-	(313,018)	-	-	-	-	-	-	(313,018)	-	3,713,018	3,400,000
Business combination under common control	-	-	(74,882)	-	-	-	-	-	-	(74,882)	-	(7,406)	(82,288)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	141,461	141,461
Issue of perpetual capital instruments, net of issuance cost	-	-	-	-	-	-	-	-	-	-	1,493,911	-	1,493,911
Interest paid on perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(142,980)	-	(142,980)
Share of reserve in associates	-	-	1,261	-	-	-	-	-	-	1,261	-	94	1,355
Appropriation to statutory reserve	-	-	-	232,649	-	-	-	-	(232,649)	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	2,481	-	-	-	2,481	-	3,717	6,198
Others	-	-	75,105	-	-	-	-	-	(812)	74,293	-	43,979	118,272
Balance at 30 June 2019 (restated and unaudited)	8,434,771	1,788,736	12,159,671	5,202,648	(6,462)	7,812	(3,755)	(186,227)	48,265,946	75,663,140	24,161,186	45,457,412	145,281,738

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 2020

(Expressed in Renminbi)

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Net cash generated from operating activities	20,560,857	18,277,304
Investing activities		
Purchases of property, plant and equipment	(8,833,178)	(9,561,351)
Payments for right-of-use assets	(275,304)	(274,512)
Purchases of intangible assets	(1,318,567)	(994,796)
Net cash inflows from acquisition of subsidiaries	1,233	896
Acquisition of interests in associates	(838,045)	(424,010)
Deposits paid	(3,903,451)	(4,137,624)
Net cash inflows/(outflows) from disposal of subsidiaries	511,693	(3,631)
Business combination under common control	–	(82,288)
Other investing cash inflows, net	3,695,240	5,112,966
Net cash used in investing activities	(10,960,379)	(10,364,350)
Financing activities		
Interest paid	(4,166,767)	(4,889,009)
Dividends paid to equity shareholders of the Company	(2,952,170)	(1,518,259)
Dividends paid to the non-controlling interests of subsidiaries	(2,306,764)	(2,379,148)
Repayment of borrowings	(93,283,053)	(96,070,419)
New borrowings raised	92,625,806	94,697,124
Repayment of lease liabilities	(1,186,373)	(4,212,345)
Payments for acquisition of additional interests in subsidiaries	–	(230,000)
Deemed partial disposal of interest in subsidiaries without losing control	1,147,581	3,400,000
Other financing cash inflows, net	1,137,800	1,744,393
Net cash used in financing activities	(8,983,940)	(9,457,663)

Condensed Consolidated Financial Statements (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(restated) (unaudited)
Net increase/(decrease) in cash and cash equivalents	616,538	(1,544,709)
Cash and cash equivalents at 1 January	24,082,935	20,927,220
Effect of foreign exchange rate changes	17,686	57,037
Cash and cash equivalents at 30 June	24,717,159	19,439,548

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 located at Tower 2 (Building B), Guohai Plaza, 17 Fuxing Road, Haidian District, Beijing, the PRC.

The Company’s immediate and ultimate holding company is China National Building Material Group Co., Ltd. (the “Parent”), a state-owned enterprise established on 3 January 1984 under the laws of the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the cement, concrete, new materials, and engineering services businesses. Hereinafter, the Company and its subsidiaries are collectively referred to as the “Group”.

These 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

These condensed consolidated financial statements 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”, issued by International Accounting Standards Board (“IASB”). These condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by IASB.

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

2 Basis of preparation and accounting policies (Continued)

Other than the adoption of new and amendments to IFRSs, as mentioned in Note 2(b), the accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

(a) Business combination under common control

On 31 July 2019, Sinoma Science & Technology entered into an equity transfer agreement to acquire 100% equity interests of Beijing FRP Research and Design Institute Company Limited ("Beijing FRP Institute") from China National Building Material Asset Management Corporation (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB83,028,300 (the "Beijing FRP Institute Acquisition"). The Beijing FRP Institute Acquisition was completed in October 2019 and thus Beijing FRP Institute has become a subsidiary of the Group.

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

On 6 December 2019, China United Cement entered into an equity transfer agreement to acquire 80.34% equity interests of Shandong Lunan Cement Company Limited ("Shandong Lunan") from China National Building Material Asset Management Corporation (a 100% indirect subsidiary of the Parent) at cash consideration of approximately RMB7,190,000 (the "Shandong Lunan Acquisition"). The Shandong Lunan Acquisition was completed in December 2019 and thus Shandong Lunan has become a subsidiary of the Group.

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

On 13 June 2019, Sinoma Cement Company Limited entered into an equity transfer agreement to acquire 100% equity interests of Yunfu Sinoma Jieneng Yure Fadian Company Limited ("Yunfu Jieneng") from Sinoma Jieneng Holding Company Limited (a 100% indirect subsidiary of the Parent) at cash consideration of RMB31,295,325 (the "Yunfu Acquisition"). The Yunfu Acquisition was completed in December 2019 and thus Yunfu Jieneng has become a subsidiary of the Group.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

2 Basis of preparation and accounting policies (Continued)

(a) Business combination under common control (Continued)

As Yunfu Jieneng and the Company are controlled by the Parent, the Yunfu 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 unaudited condensed consolidated financial statements have been restated as a result of adoption of merger accounting for the above business combinations under common control.

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

(b) New and amended standards adopted by the Group

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS standards and the following amendments to IFRSs, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current 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 2020

(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 this 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 2019.

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 2019.

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 2020

(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 2020

(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 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	10,705	–	10,705
Financial assets at fair value through profit or loss	4,860,380	–	2,143,460	7,003,840
Financial assets at fair value through other comprehensive income	7,268	–	–	7,268
Total assets (unaudited)	4,867,648	10,705	2,143,460	7,021,813
Liabilities				
Derivative financial instruments	–	20,327	–	20,327
Financial guarantee contracts	–	–	64,000	64,000
Total liabilities (unaudited)	–	20,327	64,000	84,327

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 liability that are measured at fair value at 31 December 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	5,254	–	5,254
Financial assets at fair value through profit or loss	5,600,525	–	3,492,239	9,092,764
Financial assets at fair value through other comprehensive income	8,664	–	–	8,664
Total assets (audited)	5,609,189	5,254	3,492,239	9,106,682
Liability				
Derivative financial instruments	–	17,729	–	17,729
Financial guarantee contracts	–	–	64,000	64,000
Total liabilities (audited)	–	17,729	64,000	81,729

During the six months ended 30 June 2020, there were no significant transfers between levels of the financial assets and financial liabilities.

During the six months ended 30 June 2020, 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 2020

(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 2020

(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 2020	Fair value at 31 December 2019	Valuation technique(s) and key inputs(s)	Relationship of unobservable inputs to fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB896,988,000	Bank deposits in Mainland China with non-closely related embedded derivative: RMB1,809,976,000	Discounted cash flows Key unobservable inputs are: Expected yields of 1.80% to 4.25% of money markets and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the discount rate, the lower the fair value The higher the expected yield, the higher the fair value
Unlisted equity shares classified as financial assets at fair value through profit or loss	Unlisted equity shares, amounts of RMB1,246,472,000	Unlisted equity shares, amounts of RMB1,682,263,000	Net assets value key unobservable input: Discount rate of 10%	The higher the discount rate, the lower the fair value

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 of financial instruments:

	Financial assets at fair value through profit or loss
	<i>RMB'000</i>
At 1 January 2019 (audited)	4,508,378
Total gains:	
– in profit or loss	73,513
Purchased	6,444,143
Disposals/settlements	(7,773,506)
At 30 June 2019 (unaudited)	3,252,528
At 1 January 2020 (audited)	3,492,239
Total gains:	
– in profit or loss	35,371
Purchased	5,159,346
Disposals/settlements	(6,543,496)
At 30 June 2020 (unaudited)	2,143,460

(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 2020

(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 glass fiber, composite and light building materials
Engineering services	–	Provision of engineering services to glass and cement manufacturers and equipment procurement
Others	–	Merchandise trading business and others

More than 90% of the Group's operations and assets are located in the PRC for the six months ended 30 June 2020 and year ended 31 December 2019.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

5 Segment information (Continued)

(a) 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	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	53,876,551	21,505,465	16,599,250	–	613,877	–	92,595,143
Over time	–	–	–	14,192,469	–	–	14,192,469
	53,876,551	21,505,465	16,599,250	14,192,469	613,877	–	106,787,612
Inter-segment sales <i>(Note)</i>	4,090,345	121,316	342,736	1,537,919	596,499	(6,688,815)	–
	57,966,896	21,626,781	16,941,986	15,730,388	1,210,376	(6,688,815)	106,787,612
Adjusted EBITDA (unaudited)	17,421,017	1,802,064	3,397,560	1,000,939	(950,465)	–	22,671,115
Depreciation and amortisation	(4,910,132)	(367,500)	(1,082,921)	(264,986)	(79,434)	–	(6,704,973)
Unallocated other income, net							41,057
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	(2,528,397)	(557,430)	(294,356)	(171,979)	(179,487)	–	(3,731,649)
Unallocated finance costs, net							(87,212)
Profit before income tax							13,444,161
Income tax expense							(3,749,357)
Profit for the period (unaudited)							9,694,804

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 2020

(Expressed in Renminbi)

5 Segment information (Continued)

(a) 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.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

5 Segment information (Continued)

(b) As at 30 June 2020:

The segment results for the six months ended 30 June 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
Assets							
Segment assets	221,842,115	51,676,595	58,433,671	58,682,580	5,758,080	-	396,393,041
Interests in associates	9,074,937	30,896	5,707,756	234,176	2,768,398	-	17,816,163
Interests in joint ventures	12,700	-	83,004	-	-	-	95,704
Unallocated assets							43,241,710
Total consolidated assets (unaudited)							457,546,618
Liabilities							
Segment liabilities	124,469,263	16,980,972	27,998,042	46,752,751	7,867,745	-	224,068,773
Unallocated liabilities							75,612,229
Total consolidated liabilities (unaudited)							299,681,002

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

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

5 Segment information (Continued)

(c) For the six months ended 30 June 2019:

The segment results for the six months ended 30 June 2019 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	58,267,960	22,890,738	13,916,149	-	557,447	-	95,632,294
Over time	-	-	-	16,505,847	-	-	16,505,847
	58,267,960	22,890,738	13,916,149	16,505,847	557,447	-	112,138,141
Inter-segment sales (Note)	2,614,211	1,223	1,838	795,586	1,022,351	(4,435,209)	-
	60,882,171	22,891,961	13,917,987	17,301,433	1,579,798	(4,435,209)	112,138,141
Adjusted EBITDA (unaudited)	19,768,808	790,770	1,450,510	1,748,278	(534,196)	-	23,224,170
Depreciation and amortisation	(5,169,769)	(483,152)	(956,830)	(275,801)	(71,864)	-	(6,957,416)
Unallocated other income, net							29,113
Unallocated administrative expenses							(13,855)
Share of profits of associates	474,216	-	9,387	1,281	550,113	-	1,034,997
Share of (losses)/profits of joint ventures	(785)	-	2,088	(1,704)	-	-	(401)
Finance costs, net	(3,354,842)	(673,288)	(228,139)	(196,025)	(202,697)	-	(4,654,991)
Unallocated finance costs, net							(11,663)
Profit before income tax							12,649,954
Income tax expense							(3,849,091)
Profit for the period (unaudited)							8,800,863

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 2020

(Expressed in Renminbi)

5 Segment information (Continued)

(c) For the six months ended 30 June 2019: (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 of associates, share of profits/(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 2019:

The segment assets and liabilities as at 31 December 2019 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	234,090,193	38,197,655	54,896,037	55,386,247	3,897,215	-	386,467,347
Interests in associates	7,798,898	25,581	5,556,275	150,323	2,344,358	-	15,875,435
Interest in joint ventures	13,252	-	85,614	-	-	-	98,866
Unallocated assets							44,106,329
Total consolidated assets (audited)							446,547,977
Liabilities							
Segment liabilities	121,371,945	15,746,527	25,580,470	45,042,333	7,696,819	-	215,438,094
Unallocated liabilities							79,852,971
Total consolidated liabilities (audited)							295,291,065

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(restated) (unaudited)
Adjusted EBITDA for reportable segments	23,621,580	23,758,366
Adjusted EBITDA for other segments	(950,465)	(534,196)
Total segments profit	22,671,115	23,224,170
Depreciation of property, plant and equipment	(4,821,656)	(5,142,379)
Depreciation of right-of-use assets	(1,227,060)	(1,260,310)
Amortisation of intangible assets	(656,257)	(554,727)
Corporate items	24,451	15,258
Operating profit	15,990,593	16,282,012
Finance costs, net	(3,818,861)	(4,666,654)
Share of profits of associates	1,274,622	1,034,997
Share of losses of joint ventures	(2,193)	(401)
Profit before income tax	13,444,161	12,649,954

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

6 Investment and other income, net

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
(Decrease)/increase in fair value of financial assets at fair value through profit or loss, net	(557,992)	768,340
Decrease in fair value of derivative financial instruments, net	(2,588)	(13,910)
Discount on acquisition of interests in subsidiaries (Note 25(a))	802	1,610
Government subsidies:		
– VAT refunds (Note (a))	546,597	506,192
– Government grants (Note (b))	605,840	400,672
– Interest subsidy	133	719
Net rental income	124,617	253,820
Gain on disposal of property, plant and equipment:		
– Gain on disposal of properties	582,855	–
– Others	605,862	–
Loss on disposal of other investments	(11,519)	(3,358)
Gain on disposal of subsidiaries, net (Note 25(b))	64,810	15,682
Gain on disposal of associates	9,389	–
Technical and other service income	155,184	115,824
Claims received	82,801	41,167
Waiver of payables	63,378	19,051
Others	95,657	6,318
	2,365,826	2,112,127

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 2020

(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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Interest expenses on bank borrowings:		
– wholly repayable within five years	2,616,653	2,921,331
– not wholly repayable within five years	92	192
	2,616,745	2,921,523
Interest expenses on lease liabilities	94,055	162,691
Interest expenses on bonds and other borrowings	1,658,187	2,020,148
Less: interest capitalised to construction in progress	(108,165)	(52,662)
	4,260,822	5,051,700
Interest income:		
– interest on bank deposits	(244,383)	(211,039)
– interest on loan receivables	(197,578)	(174,007)
	(441,961)	(385,046)
Finance costs, net	3,818,861	4,666,654

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

8 Profit before income tax

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Depreciation of:		
Property, plant and equipment	4,847,482	5,167,661
Investment properties	16,609	13,856
Right-of-use assets	1,227,060	1,260,310
	6,091,151	6,441,827
Amortisation of intangible assets	656,555	555,496
Total depreciation and amortisation	6,747,706	6,997,323
Impairment loss on goodwill	1,189,382	918,544
Impairment loss on property, plant and equipment	1,210,915	590,424
Impairment loss on intangible assets	–	379
Impairment loss on right-of-use assets	8,058	5,948
Cost of inventories recognised as expenses	70,020,446	72,981,830
Allowance for impairment in respect of trade and other receivables	1,994,867	1,739,014
Staff costs	8,953,583	8,873,283
(Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets, net	(1,132,097)	65,213
Net foreign exchange gains	(46,518)	(8,549)

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

9 Income tax expense

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Current income tax	4,315,235	3,848,452
Deferred income tax	(565,878)	639
	3,749,357	3,849,091

PRC income tax is calculated at 25% (2019: 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% (2019: 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 2020 and 2019 at the rates of taxation prevailing in the countries in which the Group operates.

10 Dividends

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Dividends	2,952,170	1,518,259

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

10 Dividends (Continued)

During the period, dividend amounting to approximately RMB2,952.17 million (six months ended 30 June 2019: approximately RMB1,518.26 million) was announced as the final dividend for the immediate preceding financial year.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (Interim dividend for the six months ended 30 June 2019: RMB Nil).

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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Profit attributable to owners of the Company	5,386,571	5,755,911

	Six months ended 30 June	
	2020 '000 (unaudited)	2019 '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 2020

(Expressed in Renminbi)

12 Property, plant and equipment

Six months ended 30 June 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 31 December 2019 and at 1 January 2020	18,683,458	87,966,961	64,110,077	2,380,619	173,141,115
Additions	7,901,243	427,413	392,684	111,838	8,833,178
Acquisition of subsidiaries (Note 25(a))	35,101	212,860	155,182	17,472	420,615
Transfer from construction in progress	(2,910,588)	1,115,697	1,791,560	3,331	–
Transfer to construction in progress for reconstruction	60,657	(43,152)	(17,505)	–	–
Transfer from investment properties	–	17,140	–	–	17,140
Transfer to investment properties	–	(3,644)	–	–	(3,644)
Reclassified as held-for-sale	–	(7,908)	(5,381)	–	(13,289)
Disposals	(2,477,286)	(599,069)	(476,532)	(33,845)	(3,586,732)
Disposals of subsidiaries (Note 25(b))	(198,081)	(535,316)	(517,147)	(356)	(1,250,900)
Depreciation and impairment	(21,047)	(2,010,824)	(3,777,820)	(248,706)	(6,058,397)
Net book value as at 30 June 2020 (unaudited)	21,073,457	86,540,158	61,655,118	2,230,353	171,499,086

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

12 Property, plant and equipment (Continued)

Year ended 31 December 2019

	Construction in progress <i>RMB'000</i>	Land and buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Net book value as at 1 January 2019	12,703,334	85,544,568	62,914,026	2,870,598	164,032,526
Additions	17,561,098	2,432,497	2,040,346	431,686	22,465,627
Acquisition of subsidiaries	595,361	1,063,851	1,572,870	38,574	3,270,656
Transfer from construction in progress	(11,363,985)	4,896,788	6,426,176	41,021	–
Transfer to construction in progress for reconstruction	464,793	(80,268)	(384,333)	(192)	–
Transfer from investment properties	–	11,393	–	–	11,393
Transfer to investment properties	–	(41,521)	–	–	(41,521)
Reclassified as held for sale	–	(35,801)	(53,340)	(18)	(89,159)
Disposals	(877,522)	(656,309)	(589,169)	(290,992)	(2,413,992)
Disposals of subsidiaries	(352,253)	(159,570)	(223,180)	(2,933)	(737,936)
Depreciation and impairment	(47,368)	(5,008,667)	(7,593,319)	(707,125)	(13,356,479)
Net book value as at 31 December 2019 (audited)	18,683,458	87,966,961	64,110,077	2,380,619	173,141,115

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Land and buildings	711,603	909,750
Plant and machinery	836,256	1,378,762
	1,547,859	2,288,512

13 Right-of-use assets

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Land use rights	19,765,239	20,205,020
Land and buildings	2,304,529	2,236,642
Plant and machinery	8,291,354	8,859,091
Motor vehicles	235,025	250,391
	30,596,147	31,551,144

As at 30 June 2020, the Group has pledged right-of-use assets with a carrying amount of RMB280.92 million (31 December 2019: RMB518.18 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 2020

(Expressed in Renminbi)

14 Goodwill

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
At the beginning of the period/year	37,886,421	43,657,580
Arising from acquisition of subsidiaries (<i>Note 25(a)</i>)	26,797	352,795
Deregistration of a subsidiary	(140,318)	(184,148)
Disposal of subsidiaries (<i>Note 25(b)</i>)	(215,280)	(99,778)
Impairment for the period/year	(1,189,382)	(5,838,505)
Exchange difference	6,965	(1,523)
At the end of the period/year	36,375,203	37,886,421

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 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Cement	27,814,045	28,972,099
Concrete	7,115,665	7,475,794
New materials	438,804	438,804
Engineering services	945,358	938,393
Others	61,331	61,331
	36,375,203	37,886,421

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

15 Interests in associates

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Cost of investments in associates		
– listed in the PRC	1,440,949	1,440,949
– listed in Hong Kong	833,765	799,322
– unlisted	6,617,880	5,399,415
Share of post-acquisition profit, net of dividend received	8,923,569	8,235,749
	17,816,163	15,875,435
Fair value of listed investments	13,199,400	12,870,644

As at 30 June 2020, the cost of investments in associates included goodwill of associates of approximately RMB610.67 million (31 December 2019: approximately RMB610.67 million).

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

16 Deposits

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Investment deposits for acquisition of subsidiaries	264,214	907,735
Investment deposits for acquisition of associates	–	74,124
Deposits paid to acquire property, plant and equipment	2,954,625	1,288,601
Deposits paid to acquire intangible assets	400,607	457,626
Deposits paid to acquire right-of-use assets	284,005	203,771
	3,903,451	2,931,857

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

17 Trade and other receivables

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Trade receivables, net of allowance for bad and doubtful debts	55,365,284	45,602,953
Bills receivables	19,309,946	23,196,545
Contract assets	10,647,764	10,582,968
Other receivables, deposits and prepayments	26,857,224	24,995,393
	112,180,218	104,377,859

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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, the credit periods are normally ranging from 1 to 2 years. Ageing analysis of trade receivables based on the invoice date is as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within two months	12,195,802	11,141,513
More than two months but within one year	27,888,043	23,860,594
Between one and two years	9,971,415	6,258,452
Between two and three years	3,460,598	2,626,781
Over three years	1,849,426	1,715,613
	55,365,284	45,602,953

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

As at 30 June 2020, approximately RMB156.46 million (31 December 2019: approximately RMB202.80 million) of the trade receivables and approximately RMB1,067.03 million (31 December 2019: approximately RMB1,053.39 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 2020

(Expressed in Renminbi)

17 Trade and other receivables (Continued)

Analysed for reporting purposes:

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Non-current portion	10,267,765	6,323,458
Current portion	101,912,453	98,054,401
	112,180,218	104,377,859

18 Financial assets at fair value through profit or loss

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Financial assets at fair value through profit or loss:		
– Investment funds listed outside Hong Kong	–	344
– Equity shares listed outside Hong Kong	3,027,336	3,611,312
– Equity shares listed in Hong Kong	1,833,044	1,988,869
– Structured deposits (Note)	896,988	1,809,976
– Unlisted equity shares	1,246,472	1,682,263
	7,003,840	9,092,764

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

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

Analysed for reporting purposes:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Non-current portion	2,420,684	2,569,191
Current portion	4,583,156	6,523,573
	7,003,840	9,092,764

Note: During the period ended 30 June 2020 and year ended 31 December 2019, 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 2020, the Group pledged approximately RMB5,247.30 million bank deposits (31 December 2019: approximately RMB5,127.11 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 2.80% (the year ended 31 December 2019: 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 2020

(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 eight phases. As at 30 June 2020, the remaining assets are planned to be delivered at the end of 2021.

During the year, 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 2020

(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 2020 and 31 December 2019 are as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Property, plant and equipment	32,666	89,159
Intangible assets	–	736
Right-of-use assets	970	264
	33,636	90,159

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

21 Trade and other payables

The ageing analysis of trade payables is as follows:

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Within two months	10,090,905	8,639,630
More than two months but within one year	23,955,151	21,533,785
Between one and two years	4,215,191	3,113,555
Between two and three years	1,116,460	1,161,256
Over three years	2,426,241	2,356,792
Trade payables	41,803,948	36,805,018
Bills payables	19,672,607	16,756,506
Contract liabilities	16,305,311	15,576,126
Other payables	18,645,434	20,147,475
	96,427,300	89,285,125

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 2020

(Expressed in Renminbi)

22 Borrowings

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Bank borrowings:		
– Secured	1,919,459	2,910,311
– Unsecured	107,488,544	107,236,052
	109,408,003	110,146,363
Bonds	74,948,631	74,809,614
Borrowings from other financial institutions	1,279,564	1,276,832
	185,636,198	186,232,809
Analysed for reporting purposes:		
Non-current portion	81,721,354	88,495,563
Current portion	103,914,844	97,737,246
	185,636,198	186,232,809

The interest rates of the borrowings are ranging from 1.00% to 6.36% per annum during the period (the year ended 31 December 2019: ranging from 1.00% to 6.36%).

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Property, plant and equipment (Note 12)	1,547,859	2,288,512
Right-of-use assets (Note 13)	280,918	518,183
Cash and cash equivalents	5,247,300	5,127,107
Trade receivables (Note 17)	156,463	202,803
Bills receivables (Note 17)	1,067,025	1,053,394
	8,299,565	9,189,999

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 2020

(Expressed in Renminbi)

23 Employee benefits payable (Continued)

The movements of employee benefit payable are as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
At the beginning of the period/year	255,253	272,155
Interest cost	198	7,819
Remeasurements:		
– Adjustments for restrictions on the defined benefit asset	5,844	(868)
– Actuarial (gains)/losses recognised in the period/year	(2,372)	4,743
– Past service cost, including losses on curtailments	–	11,536
Benefits paid	(8,640)	(40,132)
At the end of the period/year	250,283	255,253

Analysed for reporting purposes:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Non-current portion	245,680	251,392
Current portion	4,603	3,861
	250,283	255,253

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2019, 31 December 2019,							
1 January 2020 and 30 June 2020	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 2020, the Group acquired 4 (2019: 2) subsidiaries, namely, Changdeshi Dingcheng Shengxiang Concrete Company Limited (“常德市鼎城盛祥混凝土有限公司”), PT. Damai Indah Kacatipis and Yuzhoushi Chenglei Building Material Company Limited (“禹州市成磊建材有限公司”) and its subsidiary, and certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the production and sale of cement and concrete and provision of engineering services.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 fair value of net assets acquired in the transactions during the period ended 30 June 2020 and 2019, and the goodwill arising, are as follows:

	2020 RMB'000	2019 RMB'000
Net assets acquired:		
Property, plant and equipment	420,615	82,037
Right-of-use assets	13,368	5,663
Intangible assets	228,151	731
Deferred income tax assets	–	1,110
Inventories	12,701	1,934
Trade and other receivables	89,576	112,505
Amounts due from related parties	651	–
Cash and cash equivalents	129,812	896
Trade and other payables	(303,819)	(113,029)
Current income tax liabilities	(874)	–
Amounts due to related parties	(100,817)	–
Borrowings	(60,636)	(3,302)
Deferred income	–	(255)
Deferred income tax liabilities	(82,382)	(4,137)
Net assets	346,346	84,153
Non-controlling interests	(132,554)	(2,218)
Discount on acquisition of subsidiaries	(802)	(1,610)
Goodwill	26,797	9,604
Total consideration	239,787	89,929

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total consideration satisfied by:		
Cash	128,579	–
Other payables	19,120	89,929
Transferred from trade receivables	92,088	–
	239,787	89,929
Net cash inflows arising on acquisition:		
Cash consideration paid	(128,579)	–
Less: Cash and cash equivalents acquired	129,812	896
	1,233	896

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 RMB57.67 million and loss of RMB17.61 million respectively attributable to the additional business mainly generated by these newly acquired cement and concrete companies.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

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

Had these business combinations been effective at 1 January 2020, the revenue of the Group would be approximately RMB106,869.32 million and profit for the period of the Group would be approximately RMB9,679.46 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.

(b) Disposal of subsidiaries

During the six months ended 30 June 2020 and 2019, the Group disposed its equity interests in certain subsidiaries to third parties. The net assets/(liabilities) of these disposed subsidiaries at the date of disposal were as follows:

	2020 RMB'000	2019 RMB'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment	1,250,900	67,931
Right-of-use assets	143,144	2,891
Goodwill	215,280	–
Intangible assets	133,764	–
Deferred income tax assets	17,223	–
Inventories	88,870	249
Trade and other receivables	111,735	9,035
Amount due from related parties	214,401	–
Cash and cash equivalents	59,168	5,833
Trade and other payables	(1,125,272)	(71,904)
Current income tax liabilities	(89,635)	(210)
Deferred income	(4,744)	–
Amounts due to related parties	(54,956)	–
Borrowings	–	(29,400)
Deferred income tax liabilities	(53,874)	–
Non-controlling interests	12,460	2,095
Net assets/(liabilities) disposed of	918,464	(13,480)

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

25 Acquisition and disposals of subsidiaries (Continued)

(b) Disposal of subsidiaries (Continued)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Consideration received:		
Cash	570,861	2,202
Gain on disposal of subsidiaries:		
Consideration received and receivable	570,861	2,202
Net (assets)/liabilities disposal of	(918,464)	13,480
Investment in associates retained	412,413	–
Gain on disposal of subsidiaries, net (<i>Note 6</i>)	64,810	15,682
Net cash inflows/(outflow) of cash arising from disposal of subsidiaries:		
Cash consideration	570,861	2,202
Cash and cash equivalents in subsidiaries disposed of	(59,168)	(5,833)
	511,693	(3,631)

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2019, the Group acquired additional issued shares of a subsidiary for a purchase consideration of approximately RMB230.00 million. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately RMB77.49 million. The Group recognised a decrease in non-controlling interests of approximately RMB77.49 million and a decrease in equity attributable to owners of the Company of approximately RMB152.51 million.

	30 June 2020 RMB'000 (unaudited)	30 June 2019 RMB'000 (unaudited)
Carrying amount of non-controlling interests acquired	–	77,491
Consideration paid to non-controlling interests	–	(230,000)
Excess of consideration paid recognised within parent's equity	–	(152,509)

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2019 is as follows:

North Cement Company Limited (“北方水泥有限公司”) (“North Cement”)

During the six months ended 30 June 2019, the Group acquired additional equity interests in North Cement for a consideration of approximately RMB230.00 million. After that, the Group's effective equity interests in North Cement increased from 70.00% to 73.90%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition as approximately RMB77.49 million. The Group recognised a decrease in non-controlling interests of approximately RMB77.49 million and a decrease in equity attributable to owners of the Company of approximately RMB152.51 million.

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

	30 June 2020 RMB'000 (unaudited)	30 June 2019 RMB'000 (unaudited)
Carrying amount of equity interest obtained by non-controlling Interests	(1,128,872)	(3,713,018)
Capital contributed by non-controlling interests	1,147,581	3,400,000
Gain/(loss) on disposal within equity	18,709	(313,018)

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2020 as follows:

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 51.00% 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 100.00% 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 increase in non-controlling interests of approximately RMB109.74 million.

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 investor”), pursuant to which the Anyang investor agreed to contribute RMB791.43 million to Anyang Cement. After that, the Group's effective equity interests in Anyang Cement were diluted from 100.00% 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 increase in non-controlling interests of approximately RMB884.25 million.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

26 Transactions with non-controlling interests (Continued)

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

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 agreement 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 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”), an 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 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 2020

(Expressed in Renminbi)

26 Transactions with non-controlling interests (Continued)

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

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

In December 2018, the Company entered into capital increase agreements with two independent third parties (“South Cement investors”), pursuant to which the South Cement investors agreed to contribute RMB2,000.00 million to South Cement.

During the period ended 30 June 2019, the South Cement investors contributed RMB2,000.00 million to South Cement. After that, the Group’s effective equity interests in South Cement decreased from 92.03% to 84.83%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB320.76 million and increase in non-controlling interests of approximately RMB2,320.76 million.

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

In December 2018, the Company entered into capital increase agreements with two independent third parties (“Southwest Cement investors”), pursuant to which the Southwest Cement investors agreed to contribute RMB2,000.00 million to Southwest Cement.

As at 31 December 2018, Southwest Cement investors had contributed RMB600.00 million to Southwest Cement. During the period ended 30 June 2019, the Southwest Cement investors further contributed RMB1,400.00 million to Southwest Cement. After that, the Group’s effective equity interests in Southwest Cement decreased from 92.20% to 79.84%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB7.74 million and increase in non-controlling interests of approximately RMB1,392.26 million.

27 Business combination under common control

As mentioned in Note 2(a) to the condensed consolidated financial statements, the acquisitions of Beijing FRP Institute, Shangdong Lunan and Yunfu Jieneng have been accounted for based on merger accounting.

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2019 is as follows:

	The Group excluding Beijing FRP Institute, Shandong Lunan and Yunfu Jieneng	Beijing FRP Institute	Shandong Lunan	Yunfu Jieneng	Adjustments	Consolidated
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	112,163,609	1,630	20,053	1,525	(48,676)	112,138,141
Cost of sales	(78,804,350)	(7,887)	(21,192)	(511)	47,143	(78,786,797)
Gross profit/(loss)	33,359,259	(6,257)	(1,139)	1,014	(1,533)	33,351,344
Investment and other income, net	2,098,402	11,727	–	1,998	–	2,112,127
Selling and distribution costs	(5,708,025)	–	–	–	–	(5,708,025)
Administrative expenses	(13,456,514)	(2,405)	(15,891)	(157)	1,533	(13,473,434)
Finance (costs)/income, net	(4,667,181)	8	517	2	–	(4,666,654)
Share of profits of associates	1,034,997	–	–	–	–	1,034,997
Share of losses of joint ventures	(401)	–	–	–	–	(401)
Profit/(loss) before income tax	12,660,537	3,073	(16,513)	2,857	–	12,649,954
Income tax expense	(3,846,058)	–	–	(3,033)	–	(3,849,091)
Profit/(loss) for the period	8,814,479	3,073	(16,513)	(176)	–	8,800,863
Profit/(loss) attributable to:						
Owners of the Company	5,767,470	3,073	(16,513)	(176)	2,057	5,755,911
Holders of perpetual capital instruments	591,168	–	–	–	–	591,168
Non-controlling interests	2,455,841	–	–	–	(2,057)	2,453,784
	8,814,479	3,073	(16,513)	(176)	–	8,800,863

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 2019 is as follows:

	Impact on earnings per share <i>RMB</i> (unaudited)
Reported figures before restatement	0.684
Restatement arising from business combinations of entities under common control	(0.002)
Restated	0.682

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 2019 is as follows:

	Net profit <i>RMB'000</i> (unaudited)
Reported figures before restatement	8,814,479
Restatement arising from business combinations of entities under common control	(13,616)
Restated	8,800,863

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

28 Commitments

	30 June 2020 RMB'000 (unaudited)	31 December 2019 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	254,903	201,088
– Acquisition of an associate	45,900	–
	300,803	201,088

29 Contingent liabilities and litigation

Save as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor was any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the overseas regulatory announcement of the Company dated 30 May 2010 in respect of an announcement released by BNBM, relating to the gypsum board incident in the 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 and the 2019 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 2020

(Expressed in Renminbi)

29 Contingent liabilities and litigation (Continued)

In August 2019, Taishan Gypsum and Taian Taishan Plasterboard Co., Ltd.* (泰安市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, and the litigation of these plaintiffs will continue. In addition, the case of The Mitchell Co., Inc. against Knauf Gips KG is also ongoing. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further announcements 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 2020

(Expressed in Renminbi)

30 Related party transactions

In addition to the related party information shown elsewhere in the condensed consolidated interim 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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Provision of production supplies to		
– The Parent Group	345,412	272,098
– Associates	650,162	40,693
– Joint ventures	3,214	1,376
– Non-controlling interests of subsidiaries	7,024	21,005
	1,005,812	335,172
Provision of support services to		
– The Parent Group	8,169	1,335
– Associates	8,989	1,242
– Non-controlling interests of subsidiaries	–	6,029
	17,158	8,606
Rental income received from		
– The Parent Group	46,071	61,983
– Associates	715	973
	46,786	62,956

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

30 Related party transactions (Continued)

(a) Transactions with related parties: (Continued)

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Rendering of engineering services to the Parent Group	400,074	159,200
Supply of raw materials (limestone and clay) by the Parent Group	19,718	21,110
Supply of raw materials by		
– Associates	51	–
– Non-controlling interests of subsidiaries	2,189	–
	2,240	–
Provision of production supplies by		
– The Parent Group	409,500	180,215
– Associates	58,400	10,119
– Joint ventures	796	1,013
– Non-controlling interests of subsidiaries	3,031	4,195
	471,727	195,542
Interest expenses paid to		
– The Parent Group	42,664	47,114
– Non-controlling interests of subsidiaries	–	10,066
	42,664	57,180

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

30 Related party transactions (Continued)

(a) Transactions with related parties: (Continued)

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (restated) (unaudited)
Provision of support services by		
– The Parent Group	15,196	8,364
– Associates	12,656	–
– Non-controlling interests of subsidiaries	939	4,680
	28,791	13,044
Provision of engineering services by		
– The Parent Group	56,394	28,428
– Associates	6,926	–
	63,320	28,428
Interest income received from:		
– The Parent Group	36,140	20,787
– Associates	5,430	6,744
– Non-controlling interests of subsidiaries	–	1,181
	41,570	28,712
Supplying of equipment by		
– The Parent Group	15,653	50,968
– Associates	817	–
– Joint ventures	77	–
– Non-controlling interests of subsidiaries	–	675
	16,547	51,643
Rental expenses paid to		
– The Parent Group	288	–
– Non-controlling interests of subsidiaries	83	9,317
	371	9,317

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

30 Related party transactions (Continued)

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Amounts due from related parties		
Trading in nature:		
– Fellow subsidiaries	979,175	1,258,697
– Associates	102,692	553,740
– Joint ventures	6,342	102
– Non-controlling interests of subsidiaries	340,627	356,671
	1,428,836	2,169,210
Non-trading in nature:		
– Fellow subsidiaries	1,095,183	430,980
– Associates	179,538	255,210
– Joint ventures	50	18
– Immediate holding company	79,708	79,956
– Non-controlling interests of subsidiaries	705,717	316,142
	2,060,196	1,082,306
	3,489,032	3,251,516

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

30 Related party transactions (Continued)

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Amounts due to related parties		
Trading in nature:		
– Fellow subsidiaries	1,882,813	1,964,779
– Associates	47,610	29,228
– Joint ventures	–	271
– Non-controlling interests of subsidiaries	87,777	85,035
	2,018,200	2,079,313
Non-trading in nature:		
– Fellow subsidiaries	2,562,855	2,329,587
– Associates	11,935	61,594
– Immediate holding company	32,468	32,486
– Non-controlling interests of subsidiaries	619,800	694,260
	3,227,058	3,117,927
	5,245,258	5,197,240

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 2020

(Expressed in Renminbi)

30 Related party transactions (Continued)

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

As at 30 June 2020, amounts due from related parties of approximately RMB56.80 million (31 December 2019: RMB263.30 million) carry the fixed interest rate of 4.35% (31 December 2019 variable interest rate of: 4.35%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2020, amounts due to related parties of approximately RMB2,258.51 million (31 December 2019: approximately RMB2,269.91 million) carry the fixed interest rate of 5.20% (31 December 2019: 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 2020, 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 2020 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 2020

(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 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short term benefits	8,943	8,261
Post-employment benefits	22	135
	8,965	8,396

Condensed Consolidated Financial Statements (Continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Renminbi)

31 Events after the end of the reporting period

On 7 August 2020, the Company entered into an indicative asset purchase agreement with its A-share listed subsidiary, Tianshan Cement, in connection with the proposed disposal by the Company of its equity interests in China United Cement, South Cement, Southwest Cement and Sinoma Cement (collectively, the “Target Companies”), respectively, in consideration for shares to be issued to the Company by Tianshan Cement.

On the same date, Tianshan Cement entered into an indicative asset purchase agreement with each of the 27 minority shareholders (the “Independent Sellers”) of South Cement or Southwest Cement (as the case may be), in connection with Tianshan Cement’s proposed acquisition of such Independent Seller’s equity interests in South Cement or Southwest Cement (as the case may be), in consideration for shares to be issued to such Independent Seller by Tianshan Cement.

Further, Tianshan Cement proposes to conduct a placing of additional new shares if and after the proposed restructuring is completed.

At the date of issuance of the condensed consolidated financial statements, the proposed restructuring has not yet been completed.

32 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements set out on pages 85 to 152 have been approved and authorised for issue by the Board of Directors on 28 August 2020.