CNBM

China National Building Material Company Limited*

(Stock Code:3323)

2013 Interim Report 中期報告

* For identification only

Financial and Business Highlights

	As at 30 June 2013	As at 31 December 2012	Growth rate
	(RMB in millions)		
Bank balances and cash	**11,236**	10,222	9.9%
Total assets	**275,961**	246,434	12.0%
Equity attributable to equity holders	**30,898**	30,496	1.3%

	For the six months ended 30 June		
	2013	2012	Growth rate
	(RMB in millions)		
Revenue	**50,531**	37,938	33.2%
Profit after taxation	**2,044**	2,714	–24.7%
Profit attributable to equity holders of the Company	**1,352**	1,901	–28.9%
Net cash flows from operating activities	**4,568**	4,065	12.4%
Sales volume of cement and clinker			
(in thousand tonnes)	**124,384**	95,431	30.3%
— China United	**30,582**	28,100	8.8%
— South Cement	**51,872**	45,522	13.9%
— North Cement	**8,080**	9,032	–10.5%
— Southwest Cement	**32,902**	12,777	157.5%
Commercial concrete sales volume *(in thousand m^3)*	**35,366**	6,957	408.4%
—China United	**12,810**	3,520	263.9%
—South Cement	**21,133**	3,268	546.7%
—North Cement	**323**	169	91.0%
—Southwest Cement	**488**		
Gypsum board *(in million m^2)*	**527**	461	14.2%
Revenue from engineering service *(RMB in millions)*	**2,771**	2,326	19.1%
Rotor blade *(in blade)*	**1,174**	1,577	–25.6%
Glass fibre yarn *(in thousand tonnes)*	**392**	391	0.3%
Selling price			
Cement sold by China United *(RMB per tonne)*	**247.1**	271.8	–9.1%
Clinker sold by China United *(RMB per tonne)*	**221.7**	249.4	–11.1%
Commercial concrete sold by China United *(RMB per m^3)*	**299.1**	327.0	–8.5%
Cement sold by South Cement *(RMB per tonne)*	**247.5**	280.8	–11.9%
Clinker sold by South Cement *(RMB per tonne)*	**213.4**	259.9	–17.9%
Commercial concrete sold by South Cement *(RMB per m^3)*	**299.8**	326.4	–8.1%
Cement sold by North Cement *(RMB per tonne)*	**336.0**	374.2	–10.2%
Clinker sold by North Cement *(RMB per tonne)*	**283.9**	316.0	–10.2%
Commercial concrete sold by North Cement *(RMB per m^3)*	**389.1**	330.1	17.9%
Cement sold by Southwest Cement *(RMB per tonne)*	**250.6**	247.0	1.5%
Clinker sold by Southwest Cement *(RMB per tonne)*	**223.5**	225.0	–0.7%
Commercial concrete sold by Southwest Cement *(RMB per m^3)*	**290.0**		
Gypsum board			
—BNBM *(RMB per m^2)*	**7.04**	7.13	–1.3%
—Taishan Gypsum *(RMB per m^2)*	**4.85**	4.92	–1.4%
Rotor blade *(RMB per blade)*	**382,300**	364,400	4.9%

Contents

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

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

Shareholders may at any time send their requests to receive the interim report and/or to change their choices of the means of receipt of Corporate Communications by notice in writing to the H share registrar of the Company, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the H share registrar of the Company at cnbm3323-ecom@hk.tricorglobal.com.

DIRECTORS

Executive Directors

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

Non-executive Directors

Guo Chaomin
Huang Anzhong
Cui Lijun

Independent Non-executive Directors

Qiao Longde
Li Decheng
Ma Zhongzhi
Shin Fang
Wu Liansheng

STRATEGIC STEERING COMMITTEE

Song Zhiping *(Chairman)*
Qiao Longde
Cao Jianglin

NOMINATION COMMITTEE

Qiao Longde *(Chairman)*
Li Decheng
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Li Decheng *(Chairman)*
Shin Fang
Song Zhiping

AUDIT COMMITTEE

Wu Liansheng *(Chairman)*
Ma Zhongzhi
Cui Lijun

SUPERVISORS

Wu Jiwei *(Chairman of the Supervisory Committee)*
Zhou Guoping
Tang Yunwei *(Independent Supervisor)*
Zhao Lihua *(Independent Supervisor)*
Cui Shuhong *(Staff Representative Supervisor)*
Liu Zhiping *(Staff Representative Supervisor)*

Secretary of the Board:	Chang Zhangli
Joint Company Secretaries:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorised Representatives:	Song Zhiping Chang Zhangli
Alternate Authorised Representative:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Qualified Accountant:	Pei Hongyan (FCCA)
Registered Address:	No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Principal Place of Business:	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Postal Code:	100037
Place of Representative Office in Hong Kong:	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong
Principal Bankers:	Bank of Communications Co., Ltd. Agricultural Bank of China Limited Shanghai Pudong Development Bank Co., Ltd.
PRC Legal Adviser:	Jingtian & Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District Beijing The PRC

Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
International Auditor:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong
Domestic Auditor:	Baker Tilly China Certified Public Accountants Building 12, Foreign Culture and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code:	3323
Company Website:	http://cnbm.wsfg.hk www.cnbmltd.com

Definitions

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

"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Materials Group Company Limited)
"BNBM Ningbo"	寧波北新建材有限公司 (BNBM Ningbo 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)
"BNBM Zhaoqing"	肇慶北新建材有限公司 (BNBM Zhaoqing Company Limited)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Co., Ltd.)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)

"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd.)
"CNBM Trading"	中建材集團進出口公司 (China National Building Materials Import & Export Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Dequan Wangqing"	吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co., Ltd.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"EPC"	turn-key project services that include design, procurement and construction
"Five C"	marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralisation
"GDP"	gross domestic product
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries

"Guizhou Southwest Cement "	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Hangzhou South Cement"	杭州南方水泥有限公司 (Hangzhou South Cement Company Limited)
"Heihe Guanniaohe Cement"	黑河關鳥河水泥有限責任公司 (Heihe Guanniaohe Cement Company Limited)
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
"Huzhou South Cement"	湖州南方水泥有限公司 (Huzhou South Cement Company Limited)
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangsu South Cement"	江蘇南方水泥有限公司 (Jiangsu South Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jiaxing South Cement"	嘉興南方水泥有限公司 (Jiaxing South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)
"Jinhua South Cement"	金華南方水泥有限公司 (Jinhua South Cement Company Limited)

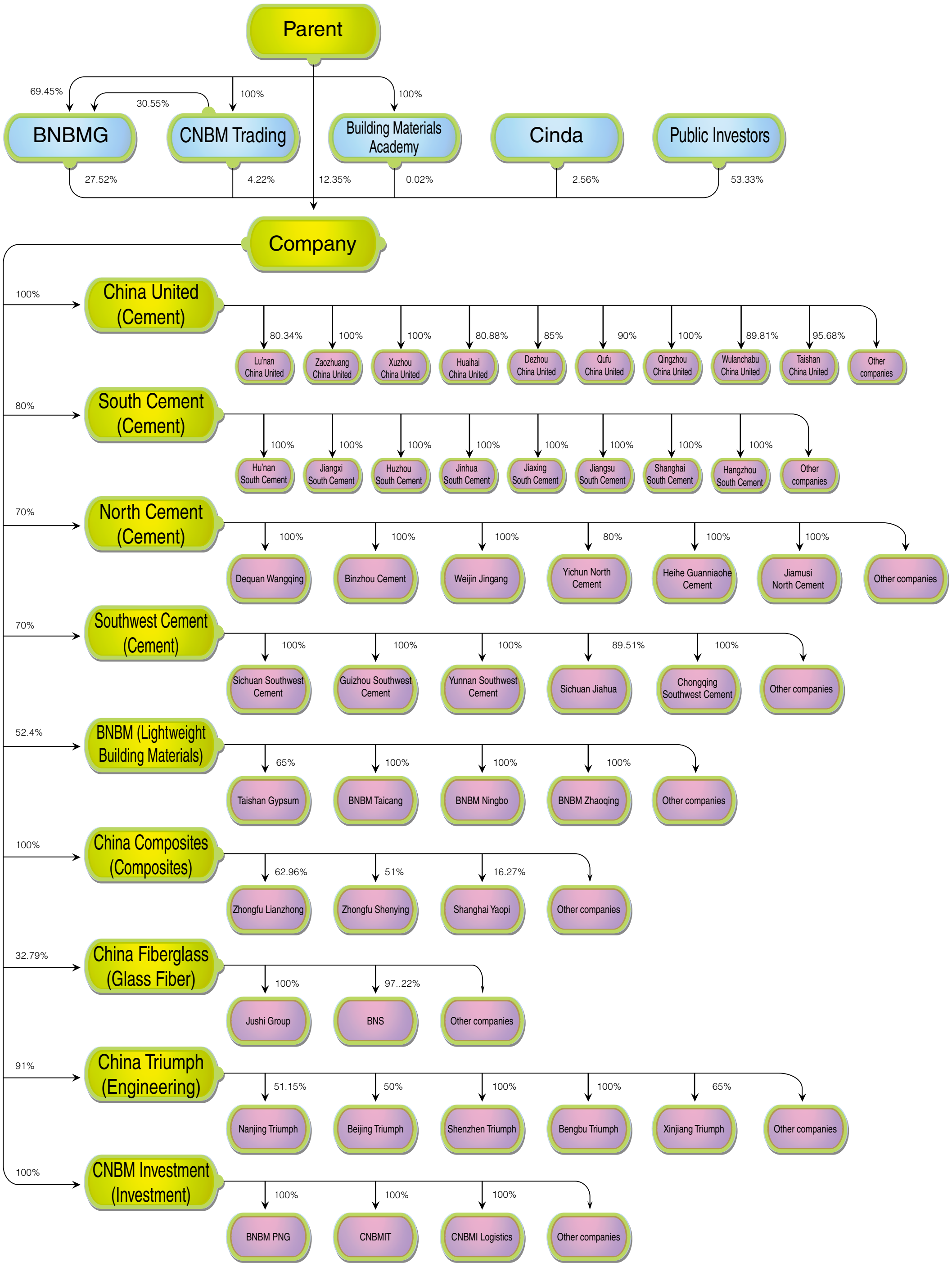
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"MIIT"	中华人民共和国工业和信息化部(Ministry of Industry and Information Technology of the People's Republic of China)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"NBS"	中國國家統計局(National Bureau of Statistics of China)
"NDRC"	中華人民共和國國家發展和改革委員會(National Development and Reform Commission of the People's Republic of China)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"Parent"	中國建築材料集團有限公司 (China National Building Materials Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PCP"	PCP, Price-Cost-Profit
"PRC"	the People's Republic of China
"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 2013 to 30 June 2013
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanghai Yaopi"	上海耀華皮爾金頓玻璃股份有限公司 (Shanghai Yaohua Pilkington Glass Co., Ltd.)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Sichuan Jiahua"	四川嘉華企業(集團)股份有限公司 (Sichuan Jiahua Enterprise (Group) Co., Ltd.)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State", "state" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the members of the supervisory committee of the Company
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Three Formulations"	Formulation of functions, formulation of structure and formulation of staffing
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)

"Xinjiang Triumph"	新疆凱盛建材設計研究院 (Xinjiang Triumph Building Materials Designing Institute)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限公司 (Zhongfu Shenying Carbon Fiber Company Limited)
"preparation, meticulosity, refinement, solidity"	making deployment of operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the markets and features; advancing management enhancement, meticulous organisation and delicacy management to improve quality and profitability; working solidly with sound dedication to enhance the basis for development and strengthen foundation

Shareholding Structure Of The Group

The simplified structure of the Group as at 30 June 2013 is set out as below:



- The sum of the percentages of the holdings may differ from the total amount thereof due to rounding.

The summary of financial results of the Group for the six months ended 30 June 2013 and 30 June 2012 is as follows:

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	(RMB in thousands)	
Revenue	**50,531,401**	37,938,345
Gross profit	**11,597,746**	8,254,113
Profit after taxation	**2,044,117**	2,714,060
Profit attributable to equity holders of the Company	**1,352,262**	1,900,728
Distribution made to the equity holders of the Company	**836,849**	1,160,791
Earnings per share-basic *(RMB)*(1)	**0.250**	0.352

Notes:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2012 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2013.

	30 June 2013	31 December 2012
	(unaudited)	(audited)
	(RMB in thousands)	
Total assets	**275,960,713**	246,433,547
Total liabilities	**228,596,751**	202,368,700
Net assets	**47,363,962**	44,064,847
Non-controlling interests	**16,465,627**	13,568,749
Equity attributable to equity holders of the Company	**30,898,335**	30,496,098
Net assets per share — weighted average *(RMB)*(1)	**5.72**	5.65
Debt to assets ratio(2)	**61.5%**	57.9%
Net debt ratio(3)	**334.4%**	300.5%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2012 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2013.

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

(3) Net debt ratio = (total borrowings-bank balances and cash)/(non-controlling interests + equity attributable to equity holders of the Company) x 100%

Business Highlights

The summary of major operating data of each segment of the Group for the six months ended 30 June 2013 and 30 June 2012 is set out below:

CEMENT SEGMENT

China United

	For the six months ended 30 June	
	2013	2012
Production volume-cement *(in thousand tonnes)*	**22,030**	18,860
Production volume-clinker *(in thousand tonnes)*	**24,080**	20,490
Sales volume-cement *(in thousand tonnes)*	**19,542**	18,820
Sales volume-clinker *(in thousand tonnes)*	**11,040**	9,280
Unit selling price-cement *(RMB per tonne)*	**247.1**	271.8
Unit selling price-clinker *(RMB per tonne)*	**221.7**	249.4
Sales volume-commercial concrete *(in thousand m^3)*	**12,810**	3,520
Unit selling price-commercial concrete *(RMB per m^3)*	**299.1**	327.0

South Cement

	For the six months ended 30 June	
	2013	2012
Production volume-cement *(in thousand tonnes)*	**43,201**	32,373
Production volume-clinker *(in thousand tonnes)*	**40,022**	34,191
Sales volume-cement *(in thousand tonnes)*	**41,122**	31,948
Sales volume-clinker *(in thousand tonnes)*	**10,750**	13,574
Unit selling price-cement *(RMB per tonne)*	**247.5**	280.8
Unit selling price-clinker *(RMB per tonne)*	**213.4**	259.9
Sales volume-commercial concrete *(in thousand m^3)*	**21,133**	3,268
Unit selling price-commercial concrete *(RMB per m^3)*	**299.8**	326.4

North Cement

	For the six months ended 30 June	
	2013	2012
Production volume-cement *(in thousand tonnes)*	**5,325**	6,259
Production volume-clinker *(in thousand tonnes)*	**7,135**	8,668
Sales volume-cement *(in thousand tonnes)*	**5,267**	5,879
Sales volume-clinker *(in thousand tonnes)*	**2,813**	3,153
Unit selling price-cement *(RMB per tonne)*	**336.0**	374.2
Unit selling price-clinker *(RMB per tonne)*	**283.9**	316.0
Sales volume-commercial concrete *(in thousand m^3)*	**323**	169
Unit selling price-commercial concrete *(RMB per m^3)*	**389.1**	330.1

CEMENT SEGMENT *(CONTINUED)*

Southwest Cement

	For the six months ended 30 June	
	2013	2012
Production volume-cement *(in thousand tonnes)*	**31,498**	11,730
Production volume-clinker *(in thousand tonnes)*	**24,231**	9,100
Sales volume-cement *(in thousand tonnes)*	**30,434**	11,855
Sales volume-clinker *(in thousand tonnes)*	**2,468**	922
Unit selling price-cement *(RMB per tonne)*	**250.6**	247.0
Unit selling price-clinker *(RMB per tonne)*	**223.5**	225.0
Sales volume-commercial concrete *(in thousand m^3)*	**488**	
Unit selling price-commercial concrete *(RMB per m^3)*	**290.0**	

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the six months ended 30 June	
	2013	2012
Gypsum boards - BNBM		
Production volume *(in million m^2)*	**87.5**	63.9
Sales volume *(in million m^2)*	**89.4**	70.8
Average unit selling price *(RMB per m^2)*	**7.04**	7.13
Gypsum boards - Taishan Gypsum		
Production volume *(in million m^2)*	**439.1**	386.8
Sales volume *(in million m^2)*	**437.4**	390.6
Average unit selling price *(RMB per m^2)*	**4.85**	4.92

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

	For the six months ended 30 June	
	2013	2012
Rotor blade		
Production volume *(in blade)*	**1,254**	1,433
Sales volume *(in blade)*	**1,174**	1,577
Average unit selling price *(RMB per blade)*	**382,300**	364,400

The Group mainly engages in cement, concrete, lightweight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity as at 30 June 2013), 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 producer of rotor blade in China;
- a leading glass fibre producer in the world through China Fiberglass, an associate of the Company;
- an international engineering firm that provides design and EPC services of glass and cement production lines in China, designed and/or constructed over 50% of the float glass production lines in China.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

In the first half of 2013, faced with the complicated economic environment at home and abroad, the central government of the PRC have committed to the general tone of making progress while ensuring stability, centred on improving the quality and efficiency of economic growth and continued to carry out the proactive fiscal policy and prudent monetary policy. As a result, the national economy remained stable, where structural adjustments saw progress amidst stability and transformation and upgrading remained stable but improved in quality. Compared with the same period last year, China's GDP increased by 7.6%, the total investment in fixed assets grew by 20.1% and the total investment in real-estate development increased by 20.3%. The production in the building materials industry remained stable and the growth rate of the output edged up, while cement and other traditional building materials products suffered overcapacity and the decline of profitability. (Sources: NBS and MIIT).

Confronted with the complicated market context, the Group remained confident and conscientiously implemented the requirements of "preparation, meticulosity, refinement, solidity", adhered to the "PCP" business ideology and the prioritisation of performance, monitored its KPI carefully, refined measures, resolved dilemmas and overcame challenges. It upheld the target of "integration and optimisation, profit raising and debt ratio reduction" closely, and strived for management enhancement, cost reduction and profit increasing, consolidation and restructuring, market share step up, capital operations as well as debt ratio reduction. In the first half of the year, the revenue and the sales of major products continued to grow. Compared with the same period last year, the Group's revenue increased by 33.2% to RMB50,531 million, the sales volume of cement and clinker increased by 30.3% to 124.4 million tonnes, the sales volume of commercial concrete grew by 408.4%to 35.4 million m^3 and the sales volume of gypsum board increased by 14.2% to 527 million m^2. Profit attributable to equity holders of the Group decreased by 28.9% to RMB1,352 million year on year.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT

Review of the cement industry in the PRC in the first half of 2013

In the first half of 2013, the demand for cement grew steadily. The national production of cement was 1,096 million tonnes in total, increased by 9.67% year on year. However, serious overcapacity in the cement industry resulted in the decline of product price.

The central government of the PRC was highly concerned about the problem of overcapacity, and regarded the resolution of the overcapacity problem in cement and other industries as one of the key economic initiatives for the year. In May 2013, the NDRC and the MIIT jointly issued the "Notice about the Determination to Suppress Unchecked Expansion of Industries with Severe Excess Capacity" (《關於堅決遏制產能嚴重過剩行業盲目擴張的通知》), requiring the cement and other industries with severe overcapacity to firmly curb unchecked expansion, prohibiting any approval of new capacity projects and stopping any project under construction if any licence has not been obtained or has been obtained without proper authorisation. In the first half of 2013, the additional production capacity of clinkers dropped by more than 50% year on year to 38.84 million tonnes. The amount of investment in fixed assets in the cement industry continued to decline and dropped by 9.45% year on year. (Sources: NBS, NDRC, MIIT and Cement Association of China (中國水泥協會))

Review of the cement segment of the Group in the first half of 2013

Faced with opportunities and challenges brought by China's economic transformation, the cement segment of the Group responded positively by timely adjusting its business idea, changing the business principle and goal to "being strong and excellent" and shifting its focus from consolidation and restructuring to management enhancement, cost reduction and profit growth. The Group adhered to its "PCP" business ideology, strictly implemented the benchmark management based on KPI and the counselor system, firmly adhered to the approach of sales-driven production, strengthened its marketing. In addition, it promoted the integration and optimisation of organisational structure according to the principle of "simplified organisation and capable personnel", initiated management enhancement, further promoted the "Five C" with delicacy management and lean production, strictly monitored the three main expense items, and reduced energy consumption and production cost. Furthermore, it consolidated and optimised core profit-generating regions and optimised the layout to create positive market synergy between the cement and commercial concrete businesses, thereby increasing its control over the terminal markets and enhancing the enterprise profits.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

China United

China United strived to overcome the unfavourable factors such as regional overcapacity and weak market demand by adhering to the "PCP" business ideology, the prioritisation of performance, the sales-driven production approach and scientifically organising production activities. It also continued to strengthen its marketing, leveraged the synergy between the cement and commercial concrete businesses efficiently and vigorously developed the market for high-grade and special cements, and strived to improve its market competitiveness and profitability.

China United further proceeded with management enhancement, strengthened its benchmark management, tapped into internal potentials, optimised its benchmark control and further enhanced the capability of delicacy management. It continued to push forward technical renovation, reduce ancillary materials costs, energy consumption and maintenance fees, promoted centralised procurement and standardised procurement process to achieve cost reduction and profit growth. For the commercial concrete business, it enforced management integration, strengthened the management of production site and the cost control to achieve continuous enhancement of the operational management standard. It effectively strengthened its efforts on recovering receivables to guard against capital risks.

China United concentrated on the core profit-generating regions to optimise the consolidation and restructuring of the cement and commercial concrete businesses and further increased the market shares in its core profit-generating regions.

South Cement

To cope with the challenging conditions arising from intensified overcapacity in the region, South Cement adhered to the "PCP" business ideology, strengthened its marketing efforts, further categorised its markets and increased its core market shares and the rate of winning bids for key projects. It introduced market integration through multiple channels, arranged production in a rational manner which resulted in an orderly supply of clinkers and maintained an overall balance of supply and demand in the regional market.

South Cement further engaged in management enhancement by adhering to the principles of cost reduction and profit growth. By fully leveraging its advantage of centralised procurement, the procurement cost was reduced. It also strengthened its operational management and technical reformation to strictly control the production cost. Furthermore, according to the principle of "simplified organisation and capable personnel", it optimised its organisational structure by integrating the 7 regional companies in Jiangsu, Zhejiang, Shanghai and Anhui into 2 companies, namely Shanghai South Cement and Zhejiang South Cement. In this way, the management positions of the enterprise were merged while the positions were optimised, thereby enhancing management efficiency and reducing management expenses and labour costs. It further implemented the "Five C" management concept in a comprehensive manner, enhanced the standard of delicacy management, strengthened the management of receivables by examining the collection of receivables regularly.

Centred on the core profit-generating regions, South Cement optimised the consolidation and restructuring of the cement and commercial concrete businesses and the production chain layout in a bid to reinforce and improve its regional market control and competitiveness continuously. It accelerated the integration of regional resources and the benefits of integrating the mining resources were manifesting. It also advanced the construction of ancillary facilities for sandstone and concrete aggregate stations to improve the competitiveness of the commercial concrete business system.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

North Cement

Confronted with the regional overcapacity and severe weak market demand, North Cement firmly adhered to the implementation of the "PCP" business ideology and sales-driven production approach, aiming to promote the sound development of the industry.

North Cement strived to improve its performance by strengthening the performance assessment and benchmark management with KPI as the core. It pushed forward management enhancement vigorously, conscientiously implemented the "Five C", delicacy management and lean production, strengthened technological innovation and technical reformation and actively promoted the use of energy-saving substitutes to replace raw materials to save expenses and reduce consumption.

North Cement continued to improve its abilities to provide amenities to support its cement grinding stations by consolidating and restructuring the cement business through matching kilns with mills in the core profit-generating regions. It also promoted the consolidation and restructuring of the commercial concrete business in the core profit-generating regions prudently to optimise the production chain and the strategic layout.

Southwest Cement

Southwest Cement orderly pushed forward on the consolidation and restructuring of the cement business in the core profit-generating regions according to its planned development strategy. As at 30 June 2013, the total cement production capacity reached 107 million tonnes and its regional market share and controlling power continued to improve.

Confronted with severe regional overcapacity of cement, Southwest Cement proactively responded by adhering to the "PCP" business ideology and facilitating the rational rebound of the cement price to continuously improve the enterprise's profitability. It refined its management of marketing performance, strengthened the assessment of key indicators such as cost, price, sale and receivables. The sales channels were also integrated for solidification and stabilisation.

Southwest Cement gradually shifted its focus from consolidation and restructuring to management integration. It promoted the comprehensive integration and optimisation of organisational structure by launching the "Three Formulations" concept steadily. Consequently, the completion rate of the formulation of staffing was 100%. It steadily pushed forward management enhancement by implementing centralised procurement and promoting fuel and raw material substitution to significantly reduce the procurement cost, promoted technological upgrading and benchmark optimisation, continued to improve the production efficiency, which led to outstanding results of cost reduction and profit growth. It also further deepened its financial management thereby enhancing the standard of capital and financing management.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the Group's lightweight building materials business in the first half of 2013

BNBM persisted on strengthening its main business, deepened its focusing strategy on the gypsum board business. As a result, Dragon and Taishan Gypsum recorded steady growth in sales. The competitiveness of the enterprise continuously increased with stronger profitability.

BNBM upheld the strategy of seizing the prominent position and put increasing efforts on marketing. It continued its strategic cooperation with major customers and strengthened its leading position in the industry with record brand value. While continuing to enhance its competitiveness in bids for commercial landmarks and key projects, BNBM also diversified its marketing channels and tapped into the residential housing market.

BNBM made great endeavours to management enhancement, optimise its organisational structure and enhance its overall operational efficiency and profitability. It implemented the cost and expense saving plan in a comprehensive manner and made efforts to reduce procurement costs by fully utilising its advantages in centralised procurement and insisting on procurement through bidding.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENTS

Review of the Group's composite materials business in the first half of 2013

China Composites overcame the adverse influence of weak demand and overcapacity in the wind power industry, and allocated resources reasonably based on the market demand. By utilising an appropriate layout of the production base, it secured production and supply in the key regions. It made great efforts on expanding the market, with a focus on developing new customer base at home and abroad to increase market shares and to secure its leading position in the industry. It actively pushed forward management enhancement and technological innovation to reduce the production cost of rotor blades. The carbon fibre production and application project was progressing smoothly with several technical problems resolved.

Review of the Group's glass fibre business in the first half of 2013

China Fiberglass continued to push forward the structural adjustment and transformation of its development mode. By reasonably planning the production layout for competitive products, it effectively enhanced production centralisation and product quality stability. Through strengthened marketing, it had basically maintained the balance of production and sales. It also strengthened its management enhancement, internal control and supervision to reduce operational risks. Based on delicacy management, it innovated the management mode, streamlined the management procedure, and reduced management cost, through which it realised cost reduction and profit growth and thus enhanced competitiveness.

It steadily implemented the "going out" strategy. The main construction of the project of an alkali-free glass fibre pool kiln wiredrawing production line with an annual capacity of 80,000 tonnes in Egypt was basically completed.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW (CONTINUED)

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering services business in the first half of 2013

China Triumph actively carried out marketing campaigns in respect of key engineering technologies of glass, cement and new energy and vigorously implemented the strategy of "going out" to lead further industry upgrade and to make the core technologies engineering-oriented, up to international standards and equipment-based. It expedited the production of high-end equipments and continued to raise the added value and the overall profitability of the engineering services. On the other hand, it promoted green industry by actively expanding the innovative development and use of nitrogen oxide emission reduction and residual heat electricity generation. It insisted on the combination of independent innovation and integrated innovation and strengthened its potential for further development. Centering on management improvement and cost and expense reduction, it continued to explore its potential to reduce costs and increase profits.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Looking into the second half of 2013, the building materials industry faces both challenges and opportunities. Domestic economic growth is still under downside pressure, and the problem of overcapacity in the manufacturing industry remains unresolved. The central government of the PRC will remain committed to making progress while maintaining stability. Focusing on the improvement of the quality and efficiency of economic development, the central government of the PRC will carry out timely and appropriate pre-adjustment and fine-tuning, coordinate steady growth, structural adjustment and reform enhancement, and implement a proactive fiscal policy and a prudent monetary policy to strengthen the financial support to the real economy. Overall, the national economy will remain stable. Firstly, the new-type urbanisation will bring about long-term steady demand for building materials products. Secondly, since the completion rates for investment in infrastructure construction were relatively low in the first half of the year, it is expected that the construction of railways, urban railways, highways and urban pipeline networks and the renovation of shanty towns will be accelerated. In addition, the building materials industry will enter into the traditional peak season in the second half of the year, which means that the market demand will continue to improve.

To address the issue of excessive production capacity in the traditional manufacturing industry, the central government of the PRC will issue a general scheme to resolve this problem. Through consumption, transference, integration and elimination of some excessive production capacity, the central government of the PRC is determined to sternly curb excessive capacity and optimise inventory. Meanwhile, the central government of the PRC has proposed to accomplish the task of eliminating the outdated production capacity one year ahead of the schedule in the key industries such as cement under the "Twelfth Five-year Plan". Besides, it has also proposed to expedite the adjustment in the industry structure and encourage the merger and restructuring in the industries with excessive capacity, such as the cement industry, by offering financial support to enterprises engaged in consolidating industries with overcapacity. Those measures will improve the dynamics of supply and demand in the market of building materials products such as cement, and push the industry towards sound development.

Committed to the targets of ''integration and optimisation, profit raising and debt ratio reduction'', the Group will adhere to the "PCP" business ideology, reinforce its marketing activities and intensify management enhancement, cost reduction and profit growth. Under the principle of "simplified organisation and capable personnel", it will steadily promote structural optimisation and delicacy management to enhance operational efficiency and management standard. It will also strictly control capital expenditures and seek to reduce debt ratio to optimise its capital structure.

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

CEMENT SEGMENT

The cement segment of the Group will adhere to the business ideology of "PCP" and take performance as its top priority, pay close attention to KPI and carefully implement detailed marketing plans to raise enterprise profitability and promote coordinated development of the industry. With a focus on integration and optimisation, it will deepen management enhancement and optimise organisational structure to raise operational efficiency and push forward delicacy management to reduce costs and increase profits. It will strictly control capital expenditure and carry out the consolidation and restructuring of cement and commercial concrete businesses in the core profit-generating regions and improve the ability to provide the amenities to support cement grinding stations. Through optimisating the layout of the industry chain, it will achieve economies of scale after establishing an effective interactive scheme between the markets of cement and commercial concrete.

China United

China United will firmly implement the business ideology of "PCP" and adjust its sales structure of products to improve its marketing performance. It will also enhance management with an aim to further develop the benchmark and delicacy management, so as to strictly reduce costs and consumption. Meanwhile, China United will adhere to centralised procurement to lower its procurement cost and fully implement its cost and expense saving plan. Practical and effective measures will be adopted to enhance the management of receivables. It will also promote the integration of management on commercial concrete business in order to improve its profitability.

South Cement

South Cement will firmly implement the business ideology of "PCP" through reinforcing marketing activities to increase its market shares. Based on the theme of management enhancement as well as cost reduction and profit growth, it will strengthen performance benchmarking, procurement management and receivables management. Meanwhile, South Cement will simplify its organisational structure to implement its cost and expense saving plan. It will further strengthen and refine its establishments in the core profit-generating regions, put efforts on the synergistic development of the cement and commercial concrete businesses in order to comprehensively improve its competitiveness and profitability.

North Cement

North Cement will firmly implement the business ideology of "PCP" and sales-driven production approach to facilitate rational regression of prices. It will continue to enhance management and reinforce management integration in an effort to improve the management efficiency. Centralised procurement will also be adopted to reduce the procurement costs. It will fully implement its cost and expense saving plan to reduce costs and increase profits.

Southwest Cement

Southwest Cement will firmly implement the business ideology of "PCP" through unswerving management on marketing to facilitate rational regression of prices. It will continue to push forward management enhancement through enhancing the procurement management and production control. Meanwhile, it will continue to develop the substitution for raw materials and fuel as well as composite materials, fully implement its cost and expense saving plan so as to reduce costs and increase profits continuously. It will accelerate its establishments in the core profit-generating regions to steadily increase its market shares and to improve its enterprise profitability.

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

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Marketing and channel development will be reinforced so as to further improve the brand value. Management integration and enhancement will be comprehensively promoted in the segment. Through the reduction in investment cost and the unit consumption of products by means of innovation and upgrade of technology as well as cost reduction and profit growth, the core competitiveness and profitability will be increased. Focus will be put on the expansion of new housing business and new residential housing market in the rural areas.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENTS

Composite materials business

China Composites will put unwavering efforts on expanding and strengthening the main business, closely monitor the market demand, accelerate the development of new products to improve the design capability for blade structures. It will further reinforce development on new clients and overseas markets to maintain market shares. It will also promote the high-end development of national carbon fibre. Management enhancement will be further pushed forward for cost reduction and profit growth.

Glass fibre business

With the opportunity arisen from the furnace's cold repairing period in the global glass fibre industry, China Fiberglass will scientifically arrange production and proactively engage in marketing activities so as to increase product prices. It will accelerate the introduction of the strategy of focusing on high-end products by means of adjusting the product structure and increasing the added-value of the products. Furthermore, it will steadily push forward the expansion and technology upgrade of domestic projects, while endeavor to make good preparation of the production of the project in Egypt to improve the investment quality of projects and construction quality of overseas projects.

ENGINEERING SERVICES SEGMENT

Following the trends of industry upgrade and transformation in the industry, China Triumph will adhere to technological innovation and expedite its exploration on the market of environmental protection and energy saving to achieve the accelerated transformation to emerging industries. It will further develop the integration of production and research, strengthen the capabilities and refine the system of independent innovation to achieve innovation breakthrough in the technology domains of glass, cement and new energy and carry forward technology upgrade in engineering services and equipments.

FINANCIAL REVIEW

The unaudited revenue of the Group increased by 33.2% from RMB37,938.3 million for the six months ended 30 June 2012 to RMB50,531.4 million for the six months ended 30 June 2013. Unaudited profit attributable to equity holders decreased by 28.9% from RMB1,900.7 million for the six months ended 30 June 2012 to RMB1,352.3 million for the six months ended 30 June 2013.

Revenue

Our revenue for the six months ended 30 June 2013 amounted to RMB50,531.4 million, representing an increase of 33.2% from RMB37,938.3 million for the six months ended 30 June 2012. This was primarily due to that revenue of South Cement increased by RMB5,242.4 million, revenue of Southwest Cement increased by RMB5,150.1 million, revenue of China United increased by RMB2,464.2 million, revenue of the engineering services segment increased by RMB445.0 million, and revenue from the lightweight building materials segment increased by RMB238.5 million, yet partially offset by the revenue decrease of RMB556.4 million of North Cement and the revenue decrease of RMB208.3 million from the glass fibre and composite materials segments.

Cost of sales

Our cost of sales for the six months ended 30 June 2013 amounted to RMB38,933.7 million, representing an increase of 31.2% from RMB29,684.2 million for the six months ended 30 June 2012. This was primarily due to that the cost of sales of South Cement increased by RMB4,104.1 million the cost of sales of Southwest Cement increased by RMB3,300.0 million, the cost of sales of China United increased by RMB2,080.1 million, the cost of sales of the engineering services segment increased by RMB361.9 million and the cost of sales of the lightweight building materials segment increased by RMB86.3 million, yet partially offset by a decrease of RMB250.2 million in cost of sales of the glass fibre and composite materials segments and a decrease of RMB105.1 million in cost of sales of North Cement.

Other income

Other income of the Group increased by 4.6% to RMB1,528.0 million for the six months ended 30 June 2013 from RMB1,460.9 million for the six months ended 30 June 2012. This was primarily due to an increase in VAT refund from RMB611.7 million for the six months ended 30 June 2012 to RMB739.0 million for the six months ended 30 June 2013, an increase in government grants from RMB539.8 million for the six months ended 30 June 2012 to RMB619.4 million for the six months ended 30 June 2013, yet partially offset by a decrease in net gain from change in fair value of held-for-trading investments of the Group to RMB-79.0 million for the six months ended 30 June 2013 from RMB131.1 million for the six months ended 30 June 2012.

Selling and distribution costs

Selling and distribution costs increased by 121.3% to RMB2,472.0 million for the six months ended 30 June 2013 from RMB1,117.1 million for the six months ended 30 June 2012. This was primarily due to an increase of RMB831.0 million in transportation costs, an increase of RMB274.0 million in packaging fees, an increase of RMB105.8 million in depreciation and amortisation costs and an increase of RMB76.6 million in the expenses for business trips resulted from the increase in commercial concrete business of the Group and the inclusion of newly acquired cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

Administrative and other expenses

Administrative and other expenses increased by 39.5% to RMB3,612.9 million for the six months ended 30 June 2013 from RMB2,589.1 million for the six months ended 30 June 2012. This was primarily due to the increase in commercial concrete business of the Group and the inclusion of newly acquired cement subsidiaries, resulting in an increase of RMB357.8 million in labour costs, an increase of RMB152.3 million in depreciation and amortisation of intangible assets, an increase of RMB61.4 million in administrative expenses and utility bills, an increase of RMB38.9 million in tax (mainly including property tax, land use tax and vehicle and vessel taxes) and an increase of RMB34.4 million in the expenses for business trips.

Finance costs

Finance costs increased by 64.6% to RMB4,318.4 million for the six months ended 30 June 2013 from RMB2,624.2 million for the six months ended 30 June 2012, due to our increased borrowings which were required to support the increase in the business activities in the cement and commercial concrete business segments.

Share of profit of associates

The Group's share of profit of associates decreased by 16.0% to RMB142.3 million for the six months ended 30 June 2013 from RMB169.3 million for the six months ended 30 June 2012, primarily due to a decrease in profits of our associated companies in the cement segment.

Income tax expense

Income tax expense decreased by 2.3% to RMB820.6 million for the six months ended 30 June 2013 from RMB839.9 million for the six months ended 30 June 2012, primarily due to the decrease in profit before taxation.

Non-controlling interests

Non-controlling interests decreased by 14.9% to RMB691.9 million for the six months ended 30 June 2013 from RMB813.3 million for the six months ended 30 June 2012. This was primarily due to the decrease in operating profit in China United and North Cement.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company decreased by 28.9% to RMB1,352.3 million for the six months ended 30 June 2013 from RMB1,900.7 million for the six months ended 30 June 2012. Net profit margin decreased to 2.7% for the six months ended 30 June 2013 from 5.0% for the six months ended 30 June 2012.

FINANCIAL REVIEW *(CONTINUED)*

China United

Commercial concrete

China United merged with 32 commercial concrete companies as at 30 June 2013 and 18 as at 30 June 2012. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for both periods and their respective percentage in China United.

	The abovementioned commercial concrete companies for the six months ended 30 June			
	2013		2012	
	RMB in millions	**Percentage in China United**	*RMB in millions*	Percentage in China United
Revenue	**3,831.1**	**34.5**	1,151.1	13.3
Cost of sales	**2,729.7**	**32.0**	739.7	11.5
Gross profit	**1,101.4**	**42.7**	411.4	18.7
Operating profit	**563.3**	**33.6**	282.5	15.0

Acquisition of cement subsidiaries

China United acquired 12 cement companies after 30 June 2012. Operating results of the above 12 cement companies were consolidated into the operating results of China United for the six months ended 30 June 2013, but excluded from the operating results for the six months ended 30 June 2012.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 12 cement companies for the six months ended 30 June 2013 and their respective percentage in China United.

	RMB in millions	**Percentage in China United**
Revenue	869.4	7.8
Cost of sales	751.5	8.8
Gross profit	117.9	4.6
Operating profit	81.7	4.9

Save as the reasons stated below, changes in the operating results of China United for the six months ended 30 June 2013 as compared with the six months ended 30 June 2012 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

Revenue

Revenue from China United increased by 28.5% to RMB11,108.2 million for the six months ended 30 June 2013 from RMB8,644.1 million for the six months ended 30 June 2012, mainly attributable to the inclusion of the abovementioned commercial concrete business and newly acquired cement subsidiaries, yet partially offset by the decrease in the average selling price of cement products.

Cost of sales

Cost of sales for China United increased by 32.3% to RMB8,526.2 million for the six months ended 30 June 2013 from RMB6,446.1 million for the six months ended 30 June 2012, mainly attributable to the inclusion of the abovementioned commercial concrete business and newly acquired cement subsidiaries, yet partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit from China United increased by 17.5% to RMB2,582.0 million for the six months ended 30 June 2013 from RMB2,198.0 million for the six months ended 30 June 2012. Gross profit margin of China United decreased from 25.4% for the six months ended 30 June 2012 to 23.2% for the six months ended 30 June 2013. The decrease in gross profit margin was mainly due to a lower average selling price of cement products, but was partially offset by lower coal prices.

Operating profit

Operating profit from China United decreased by 11.2% to RMB1,676.3 million for the six months ended 30 June 2013 from RMB1,887.7 million for the six months ended 30 June 2012. Operating profit margin for the segment decreased from 21.8% for the six months ended 30 June 2012 to 15.1% for the six months ended 30 June 2013. The decrease in operating profit margin was primarily due to the decrease in gross profit margin and the increase in transportation cost resulted from the increased commercial concrete business.

FINANCIAL REVIEW *(CONTINUED)*

South Cement

Commercial Concrete

South Cement merged with 169 commercial concrete companies as at 30 June 2013 and 39 as at 30 June 2012. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for both periods and their respective percentage in South Cement.

	The abovementioned commercial concrete companies for the six months ended 30 June			
	2013		2012	
	RMB in millions	**Percentage in South Cement**	*RMB in millions*	Percentage in South Cement
Revenue	**6,335.9**	**33.7**	1,066.5	7.9
Cost of sales	**4,503.4**	**31.1**	679.9	6.5
Gross profit	**1,832.5**	**42.6**	386.6	12.2
Operating profit	**926.0**	**36.2**	239.0	10.7

Acquisition of cement subsidiaries

South Cement acquired 13 cement companies after 30 June 2012. Operating results of the above 13 cement companies were consolidated into the operating profit of South Cement for the six months ended 30 June 2013, but excluded from the operating results for the six months ended 30 June 2012.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 13 cement companies for the six months ended 30 June 2013 and their respective percentage in South Cement.

	RMB in millions	**Percentage in South Cement**
Revenue	1,384.0	7.4
Cost of sales	1,195.9	8.2
Gross profit	188.1	4.4
Operating profit	127.5	5.0

Save as the reasons stated below, changes in the operating results of South Cement for the six months ended 30 June 2013 as compared with the six months ended 30 June 2012 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

Revenue

Revenue of South Cement increased by 38.6% to RMB18,808.6 million for the six months ended 30 June 2013 from RMB13,566.2 million for the six months ended 30 June 2012, mainly attributable to the inclusion of abovementioned commercial concrete business and newly acquired cement subsidiaries, yet partially offset by the decrease in the average selling price of cement products.

Cost of sales

Cost of sales of South Cement increased by 39.5% to RMB14,503.1 million for the six months ended 30 June 2013 from RMB10,398.9 million for the six months ended 30 June 2012, mainly attributable to the inclusion of abovementioned commercial concrete business and newly acquired cement subsidiaries, yet partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit of South Cement increased by 35.9% to RMB4,305.5 million for the six months ended 30 June 2013 from RMB3,167.3 million for the six months ended 30 June 2012. Gross profit margin of South Cement decreased from 23.3% for the six months ended 30 June 2012 to 22.9% for the six months ended 30 June 2013. This was mainly attributable to the decrease in the average selling price of cement products, yet partially offset by the decrease in the coal prices.

Operating profit

Operating profit of South Cement increased by 13.9% to RMB2,555.2 million for the six months ended 30 June 2013 from RMB2,243.8 million for the six months ended 30 June 2012. Operating profit margin for the segment decreased from 16.5% for the six months ended 30 June 2012 to 13.6% for the six months ended 30 June 2013. This was primarily due to the decrease in the gross profit margin and the increase in transportation cost resulted from the increase in activities of the commercial concrete business.

FINANCIAL REVIEW *(CONTINUED)*

North Cement

On 1 January 2013, North Cement of the Group acquired Binzhou Cement from the Company, therefore the operating results of Binzhou Cement were consolidated into the operating results of North Cement as set out below for the six months ended 30 June 2013 and the six months ended 30 June 2012 respectively.

Commercial concrete

North Cement merged with 8 commercial concrete companies as at 30 June 2013 and 5 as at 30 June 2012. The following table sets out the revenue, cost of sales, gross profit and operating results of the abovementioned commercial concrete companies for both periods and their respective percentage in North Cement.

	The abovementioned commercial concrete companies for the six months ended 30 June			
	2013		2012	
	RMB in millions	**Percentage in North Cement**	*RMB in millions*	Percentage in North Cement
Revenue	**125.6**	**4.7**	55.8	1.7
Cost of sales	**94.7**	**4.9**	40.9	2.0
Gross profit	**30.9**	**4.0**	14.9	1.2
Operating profit	**6.3**	**1.4**	1.5	0.2

Acquisition of cement subsidiaries

North Cement acquired 6 cement companies after 30 June 2012. Operating results of the above 6 cement companies were consolidated into the operating results of North Cement for the six months ended 30 June 2013, but excluded from the operating results for the six months ended 30 June 2012.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 6 cement companies for the six months ended 30 June 2013 and their respective percentage in North Cement.

	RMB in millions	**Percentage in North Cement**
Revenue	196.8	7.3
Cost of sales	178.1	9.2
Gross profit	18.7	2.4
Operating profit	–11.2	–2.5

Save as the reasons stated below, changes in the operating results of North Cement for the six months ended 30 June 2013 as compared with the six months ended 30 June 2012 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

Revenue

Revenue from North Cement decreased by 17.1% to RMB2,693.8 million for the six months ended 30 June 2013 from RMB3,250.2 million for the six months ended 30 June 2012, mainly attributable to the decrease in the average selling price and sales volume of cement products.

Cost of sales

Cost of sales from North Cement decreased by 5.2% to RMB1,928.8 million for the six months ended 30 June 2013 from RMB2,033.9 million for the six months ended 30 June 2012, mainly attributable to the decrease in sales volume and the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit from North Cement decreased by 37.1% to RMB764.9 million for the six months ended 30 June 2013 from RMB1,216.3 million for the six months ended 30 June 2012. Gross profit margin of North Cement decreased from 37.4% for the six months ended 30 June 2012 to 28.4% for the six months ended 30 June 2013, mainly owing to a lower average selling price of cement products, yet partially offset by the decrease in the coal prices.

Operating profit

Operating profit from North Cement decreased by 54.2% to RMB446.2 million for the six months ended 30 June 2013 from RMB974.7 million for the six months ended 30 June 2012. Operating profit margin for the segment decreased from 30.0% for the six months ended 30 June 2012 to 16.6% for the six months ended 30 June 2013, primarily due to the decrease in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Southwest Cement

Commercial Concrete

Southwest Cement merged with 7 commercial concrete companies as at 30 June 2013 and their operating results have been included in the operating results for the six months ended 30 June 2013, but were excluded from the operating results for the six months ended 30 June 2012.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 7 commercial concrete companies for the six months ended 30 June 2013 and their respective percentage in Southwest Cement.

	RMB in millions	Percentage in Southwest Cement
Revenue	**141.6**	**1.7**
Cost of sales	**127.3**	**2.1**
Gross profit	**14.3**	**0.6**
Operating profit	**7.7**	**0.5**

Acquisition of cement subsidiaries

Southwest Cement acquired 57 cement companies after 30 June 2012. Operating results of the above 57 cement companies were consolidated into the operating results of Southwest Cement for the six months ended 30 June 2013, but excluded from the operating results for the six months ended 30 June 2012.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 57 cement companies for the six months ended 30 June 2013 and their respective percentage in Southwest Cement.

	RMB in millions	Percentage in Southwest Cement
Revenue	5,346.4	64.3
Cost of sales	3,889.8	64.9
Gross profit	1,456.6	62.6
Operating profit	1,062.3	69.3

Save as the reasons stated below, changes in the operating results of Southwest Cement for the six months ended 30 June 2013 as compared with the six months ended 30 June 2012 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

Southwest Cement *(Continued)*

Revenue

Revenue from Southwest Cement increased by 162.4% to RMB8,320.9 million for the six months ended 30 June 2013 from RMB3,170.9 million for the six months ended 30 June 2012, mainly attributable to the increase in the average selling price of cement products.

Cost of sales

Cost of sales from Southwest Cement increased by 122.5% to RMB5,994.5 million for the six months ended 30 June 2013 from RMB2,694.5 million for the six months ended 30 June 2012, mainly attributable to the inclusion of the abovementioned commercial concrete business and newly acquired cement subsidiaries, yet partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit from Southwest Cement increased by 388.3% to RMB2,326.4 million for the six months ended 30 June 2013 from RMB476.4 million for the six months ended 30 June 2012. Gross profit margin of Southwest Cement increased from 15.0% for the six months ended 30 June 2012 to 28.0% for the six months ended 30 June 2013, mainly owing to the increase in the average selling price of cement products and a lower coal price.

Operating profit

Operating profit from Southwest Cement increased by 461.3% to RMB1,532.9 million for the six months ended 30 June 2013 from RMB273.1 million for the six months ended 30 June 2012. Operating profit margin for the segment increased from 8.6% for the six months ended 30 June 2012 to 18.4% for the six months ended 30 June 2013, primarily due to the increase in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment

Revenue

Revenue from lightweight building materials segment increased by 8.0% to RMB3,236.2 million for the six months ended 30 June 2013 from RMB2,997.7 million for the six months ended 30 June 2012. This was mainly attributable to the increase in sales volume of gypsum boards, our main product, but was partially offset by a decrease of its selling prices.

Cost of sales

Cost of sales from lightweight building materials segment increased by 3.6% to RMB2,515.1 million for the six months ended 30 June 2013 from RMB2,428.8 million for the six months ended 30 June 2012. This was mainly due to the increase in sales volume of gypsum boards, our main product, but was partially offset by the decrease in prices of raw materials.

Gross profit and gross profit margin

Gross profit from lightweight building materials segment increased by 26.8% to RMB721.1 million for the six months ended 30 June 2013 from RMB568.9 million for the six months ended 30 June 2012. Gross profit margin for the lightweight building material segment of the Group increased to 22.3% for the six months ended 30 June 2013 from 19.0% for the six months ended 30 June 2012, mainly attributable to the decrease in the prices of raw materials, yet partially offset by lower price of gypsum boards.

Operating profit

Operating profit from the lightweight building materials segment increased by 39.4% to RMB609.0 million for the six months ended 30 June 2013 from RMB436.7 million for the six months ended 30 June 2012. Operating profit margin of the segment increased from 14.6% for the six months ended 30 June 2012 to 18.8% for the six months ended 30 June 2013, which was principally due to the increase in rate of gross profit and VAT refunds.

Glass Fibre and Composite Materials Segments

Revenue

Revenue from glass fibre and composite materials segment decreased by 20.0% to RMB833.0 million for the six months ended 30 June 2013 from RMB1,041.3 million for the six months ended 30 June 2012, which was primarily due to a decrease of RMB203.7 million in revenue from FRP pipes, tank business and rotor blades of the Group and a decrease of RMB13.5 million in the revenue from carbon fibre business, yet partially offset by the increase of revenue in flooring business and shipping business.

Cost of sales

The cost of sales for glass fibre and composite materials segment decreased by 29.5% to RMB597.9 million for the six months ended 30 June 2013 from RMB848.1 million for the six months ended 30 June 2012. The decrease was primarily due to a decrease of RMB258.5 million in the cost of FRP pipes, tank business and rotor blades of the Group, a decrease of RMB6.2 million in the cost of carbon fibre business, partially offset by the increase in the cost of engineered flooring business and shipping business.

FINANCIAL REVIEW *(CONTINUED)*

Glass Fibre and Composite Materials Segments *(Continued)*

Gross profit and gross profit margin

Gross profit from glass fibre and composite materials segment increased by 21.7% to RMB235.1 million for the six months ended 30 June 2013 from RMB193.2 million for the six months ended 30 June 2012. Gross profit margin for glass fibre and composite materials segment of the Group increased to 28.2% for the six months ended 30 June 2013 from 18.6% for the six months ended 30 June 2012. The increase in gross profit margin was mainly attributable to the increase in the gross profit margin of rotor blades.

Operating profit

Operating profit from glass fibre and composite materials segment increased by 23.3% to RMB72.4 million for the six months ended 30 June 2013 from RMB58.7 million for the six months ended 30 June 2012. The operating profit margin for such segment increased to 8.7% for the six months ended 30 June 2013 from 5.6% for the six months ended 30 June 2012. The increase in operating profit margin was primarily due to the increase in the gross profit margin, but was partially offset by the increase in the cost of loading and discharging and the research and development expenses.

Engineering Services Segment

Revenue

Revenue from engineering services segment increased by 19.1% to RMB2,771.0 million for the six months ended 30 June 2013 from RMB2,326.0 million for the six months ended 30 June 2012, which was mainly attributable to the increase in completed construction services in the period.

Cost of sales

Cost of sales for engineering services segment increased by 19.1% to RMB2,251.8 million for the six months ended 30 June 2013 from RMB1,889.9 million for the six months ended 30 June 2012. This was primarily due to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit from engineering services segment increased by 19.1% to RMB519.2 million for the six months ended 30 June 2013 from RMB436.1 million for the six months ended 30 June 2012. Gross profit margin for both the periods was 18.7% in engineering services segments of the Group.

Operating profit

Operating profit from engineering services segment increased by 3.2% to RMB248.1 million for the six months ended 30 June 2013 from RMB240.5 million for the six months ended 30 June 2012. Operating profit margin for this segment decreased to 9.0% for the six months ended 30 June 2013 from 10.3% for the six months ended 30 June 2012.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources

As at 30 June 2013, the Group had unused banking facilities and bonds, which were registered but not yet issued, of approximately RMB71,492.4 million in total.

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

	As at 30 June 2013	As at 31 December 2012
	(RMB in millions)	
Bank loans	**127,631.4**	108,168.7
Other borrowings from non-financial institutions	**42,001.8**	34,447.8
Total	**169,633.2**	142,616.5

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

	As at 30 June 2013	As at 31 December 2012
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**96,834.7**	90,751.9
Between one and two years	**30,423.2**	19,365.0
Between two and three years	**22,317.3**	20,349.3
Between three and five years (inclusive of both years)	**17,192.9**	10,167.0
Over five years	**2,865.1**	1,983.3
Total	**169,633.2**	142,616.5

As at 30 June 2013, bank loans in the total amount of RMB8,335.8 million were secured by assets of the Group with a total carrying value of RMB11,889.7 million.

As at 30 June 2013 and 31 December 2012, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 61.5% and 57.9%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

Exchange Risks

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

Contingent Liabilities

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

	As at 30 June 2013	As at 31 December 2012
	(RMB in millions)	
Guarantees provided to the bank in respect of bank credits used by the Independent Third Parties before the subsidiary was taken over:	**60.0**	355.0
Total	**60.0**	355.0

Capital Commitments

The following table sets out our capital commitments as at the dates indicated:

	As at 30 June 2013	As at 31 December 2012
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**479.6**	553.9
Capital expenditure of the Company in respect of prepaid lease payments (contracted but not provided for)	**51.0**	93.0
Capital expenditure of the Company in respect of equity acquisition (contracted but not provided for)	**670.0**	963.0

FINANCIAL REVIEW (CONTINUED)

Capital Expenditures

The following table sets out our capital expenditures for the six months ended 30 June 2013 by segment:

		For the six months ended 30 June 2013 (RMB million)	% of total
Cement		**4,092.5**	**79.3**
Including:	China United	**2,251.4**	**43.6**
	South Cement	**756.7**	**14.7**
	North Cement	**207.6**	**4.0**
	Southwest Cement	**865.8**	**16.8**
Commercial concrete		**264.8**	**5.1**
Including:	China United	**177.7**	**3.4**
	South Cement	**77.8**	**1.5**
	North Cement	**1.6**	**0.03**
	Southwest Cement	**7.1**	**0.1**
Lightweight building materials		**383.6**	**7.4**
Glass fibre and composite materials		**126.4**	**2.4**
Engineering services		**68.1**	**1.3**
Others		**226.8**	**4.5**
Total		**5,162.2**	**100.0**

Cash Flow from Operating Activities

For the six months ended 30 June 2013, our net cash inflow generated from operating activities was RMB4,568.3 million. Such net cash inflow was primarily due to RMB10,201.6 million of cash flow from operating activities before the change in working capital, yet partially offset by a decrease of RMB2,395.6 million in trade and other payables, an increase of RMB1,140.6 million in trade and other receivables and an increase of RMB1,134.5 million in the growth of inventory.

Cash Flow from Investing Activities

For the six months ended 30 June 2013, net cash outflow from investing activities of the Group was RMB20,571.5 million, which was primarily due to an expenditure of RMB10,853.1 million for payment for other investing activities, deposits paid of RMB7,908.0 million, the purchase of property, plant and equipment amounting to RMB5,706.7 million and an expenditure of RMB3,077.4 million for acquisition of subsidiaries.

Cash Flow from Financing Activities

For the six months ended 30 June 2013, we had a net cash inflow from financing activities amounting to RMB 17,011.7 million, primarily attributable to a total of RMB81,433.2 million in new borrowings, partially offset by RMB56,978.5 million for repayment of borrowings.

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

At the annual general meeting of the Company held on 23 May 2013, the Company declared a final dividend of RMB0.155 (pre-tax) per Share for the period from 1 January 2012 to 31 December 2012, representing a total amount of RMB836,849,070.61 (pre-tax) to the Shareholders whose names appeared on the register of members of the Company on 4 June 2013.

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2013.

MATERIAL TRANSACTIONS

The Company did not have any material transactions during the Reporting Period.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Particulars of connected transactions are set out in Note 27 to the interim financial statements.

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

As Jingang Group holds a 20% voting equity interest in North Cement, and North Cement is a subsidiary of the Company, Jingang Group is a connected person of the Company pursuant to the Listing Rules.

On 25 March 2013, North Cement, a 70% held subsidiary of the Company, entered into the Master Agreement on Sale of Products covering the period from 1 January 2013 to 31 December 2013 with Jingang Group, pursuant to which North Cement and its subsidiaries agreed to sell certain products to Jingang Group and its subsidiaries, including ultra-fine powder/slag, clinker and cement. The prices of the products under the agreement will be determined by market price. The proposed annual cap of the continuing connected transactions is approximately RMB939,490,000 for the year 2013 ended 31 December 2013.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. For details of such continuing connected transactions and relevant exemptions, please see the Company's announcement on Master Agreement on Sale of Products between North Cement and Jingang Group dated 25 March 2013.

For the six months ended 30 June 2013, the Group's income from its supply of products (including ultra-fine powder/slag, clinker and cement) to Jingang Group and its subsidiaries amounted to approximately RMB325.8 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing Connected Transactions *(Continued)*

Transactions with Parent Group

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. For details of the continuing connected transactions and relevant exemptions, please see the Company's 2010 Annual Report, 2011 Annual Report and 2012 Annual Report.

For the six months ended 30 June 2013, the Group's income from its supply of products and services to the Parent Group amounted to approximately RMB244.1 million, representing approximately 0.5% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from the Parent Group amounted to RMB153.7 million, representing approximately 0.4% of its total cost of sales for the same period.

CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2013, the Board is not aware of any information which would indicate that the Company did not comply with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

SPECIAL COMMITTEES UNDER THE BOARD

THE STRATEGIC STEERING COMMITTEE

The Company has established a strategic steering committee which comprises three Directors, including two executive Directors and one independent non-executive Director. The strategic steering committee is responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisation development proposals, major investing and financing plans and other material matters that will affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investing plans under the authorisation of the Board; and making recommendations to the Board. During the Reporting Period, the strategic steering committee has reviewed the significant events of the Company in 2012 and the major activities of consolidation and restructuring and capital operation in 2013.

NOMINATION COMMITTEE

The Company has established a nomination committee which comprises three Directors, including two independent non-executive Directors and one executive Director. The terms of reference adopted by the nomination committee are in compliance with the provisions of the Code. The nomination committee is responsible for, among other things, the annual review of the structure, size and composition of the Board (in terms of techniques, knowledge and experience), 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 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 as well as the independence of the independent non-executive Directors.

SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

The Company has established a remuneration and performance appraisal committee which comprises three Directors, including two independent non-executive Directors and one executive Director. 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 considered the adjustments to the Directors' remuneration and remuneration proposals for senior management for 2012.

AUDIT COMMITTEE

The Company has established the audit committee. The audit committee of the Company comprises two independent non-executive Directors, with appropriate professional qualification or accounting or related financial management experience, and one non-executive Director. 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 financial reporting procedures, internal control and risk management. As at the date of this report, the audit committee has reviewed the appointment of auditors of the Company in 2013, the 2012 annual report and the 2013 interim report of the Company.

INTERNAL CONTROL

Under the guidance of relevant regulatory requirements of the Stock Exchange and in order to further refine and regulate the internal control system of the Company, strengthen its internal control and ensure sound and effective internal control system, the Company has formulated a series of internal management systems covering, amongst others, financial management, investment management, legal management and information disclosure management. According to its business and changes in the environment, the Company has updated its existing policies, procedures and control. It has also adopted all reasonable measures from time to time to ensure the availability of proper preventive measures.

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

MODEL CODE

The Company has adopted a set of code of practice on terms no less exacting than the standards required in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiries with all Directors of the Company, the Company confirms that all the Directors have 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 2013	
	Number of shares	Percentage of issued share capital
Domestic Shares	2,519,854,366	46.67%
H Shares	2,879,171,896	53.33%
Total share capital	5,399,026,262	100%

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

For the six months ended 30 June 2013, neither the Company nor its subsidiaries purchased, sold or redeemed any securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2013.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had approximately 132,835 employees.

The remuneration package of the Company's employees includes salary, allowances and related welfare. In accordance with relevant national and local labor and social welfare laws and regulations, each member of the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, work-related injury insurance, medical insurance, unemployment insurance and housing reserve fund. The Company's remuneration policy for its staff in principal is performance based depending on duties and responsibilities, while bonus is linked to the overall profitability of the Company.

SHARE APPRECIATION RIGHTS PLAN

In order to provide additional incentives to the Group's senior management and to enhance the alignment between the performance of the Group's senior management and Shareholders' value, on 28 February 2006, the Company adopted a long-term incentive plan of share appreciation rights for the Group's senior management officers, senior experts and specialists who made important contributions to the Group.

Under the plan, share appreciation rights ("SA Rights") represent the rights to receive a cash payment equal to the appreciation, if any, in the fair market value of H Share from the date of the grant of the rights to the date of exercise.

SA Rights will be granted in units with each unit representing one H Share. All SA Rights will have an exercise period of six years from the date of grant. An individual may not exercise his or her SA Rights during the first two years after the date of grant. After two and three years from the date of grant, the total number of SA Rights exercised by an individual may not in aggregate exceed one-third and two-thirds, respectively, of the total SA Rights granted to the individual. Four years after the date of grant, the SA Rights will be fully vested.

The SA Rights vest in different amounts until the grantee has completed a specified period of service.

During the Reporting Period, there were no outstanding SA Rights and no SA Rights were granted.

According to Guo Zi Fa Fen Pei [2006] No.8, "Trial Method for Share Incentive Scheme of State-controlled Listed Company (Overseas)", the compensation shall not exceed 40% of the total salary and bonus of an individual.

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

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

So far as was known to the Directors or the Supervisors of the Company, as at 30 June 2013, the Shareholders (other than the Directors or the Supervisors of the Company) 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	Class of shares	Number of shares held	Percentage in the relevant class of share capital (%)[2, 7]	Percentage in total share capital (%)[2, 7]
Parent[1, 6]	Domestic Shares	2,381,422,058[3]	94.50	44.10
BNBMG[1]	Domestic Shares	1,485,566,956[3]	58.95	27.52
CNBM Trading[1]	Domestic Shares	227,719,530[3]	9.04	4.22
Cinda[6]	Domestic Shares	138,432,308[3]	5.49	2.56
JPMorgan Chase & Co.	H Shares	315,609,704[3]	10.96	5.84
	H Shares	32,636,698[5]	1.13	0.60
	H Shares	259,044,768[4]	9.00	4.79
Deutsche Bank Aktiengesellschaft	H Shares	214,985,391[3]	7.47	3.98
	H Shares	162,977,989[5]	5.66	3.01
	H Shares	1,038,000[4]	0.04	0.01
BlackRock, Inc.	H Shares	151,179,129[3]	5.25	2.80
	H Shares	12,270,000[5]	0.42	0.22
Morgan Stanley	H Shares	149,111,830[3]	5.17	2.76
	H Shares	126,569,299[5]	4.39	2.34

Notes:

1. Of these 2,381,422,058 shares, 666,962,522 shares are directly held by the Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 69.45% is directly held and 30.55% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

2. As at 30 June 2013, the Company's total issued share capital was 5,399,026,262 shares, comprising 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

3. Long position.

4. Lending pool.

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

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

Notes: (Continued)

5. Short position.

6. 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"). Consequently, under the SFO, the Parent was deemed to own 2,443,222,195 Domestic Shares (representing 96.95% in the domestic share capital and 45.25% in the total share capital) and Cinda was deemed to own 76,632,171 Domestic Shares (representing 3.04% in the domestic share capital and 1.41% in the total share capital). As at 30 June 2013, the formalities in respect of the share transfer registration of the First Transfer of Shares and the Second Transfer of Shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed. As at the date of this interim report, the formalities in respect of the said registrations of the transfer of shares are still under process and are yet to complete.

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

Save as disclosed above, as at 30 June 2013, 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 2013, as far as the Company is aware, none of the Directors nor the Supervisors of the Company 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

BAKER TILLY
HONG KONG | 天職香港

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

INTRODUCTION

We have reviewed the accompanying condensed consolidated interim financial information set out on pages 48 to 88, which comprises the condensed consolidated statement of financial position of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated interim financial information"). The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting", issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 23 August 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Six months ended 30 June **2013** ***RMB'000*** **(unaudited)**	 2012 *RMB'000* (unaudited)
Revenue	5	**50,531,401**	37,938,345
Cost of sales		**(38,933,655)**	(29,684,232)
Gross profit		**11,597,746**	8,254,113
Selling and distribution costs		**(2,471,957)**	(1,117,074)
Administrative expenses		**(3,612,916)**	(2,589,096)
Investment and other income	6	**1,527,965**	1,460,885
Finance costs - net	7	**(4,318,363)**	(2,624,198)
Share of profits of associates		**142,270**	169,329
Profit before income tax	8	**2,864,745**	3,553,959
Income tax expenses	9	**(820,628)**	(839,899)
Profit for the period		**2,044,117**	2,714,060
Profit attributable to:			
Owners of the Company		**1,352,262**	1,900,728
Non-controlling interests		**691,855**	813,332
		2,044,117	2,714,060
		RMB	*RMB*
Earnings per share - basic and diluted	11	**0.250**	0.352

Details of dividends payable to shareholders of the Company are set out in Note 10.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**2,044,117**	2,714,060
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss		
— Currency translation differences	**(21,912)**	11,613
— Changes in the fair value of available-for-sale financial assets	**(15,346)**	(10,532)
— Shares of associates' other comprehensive expense	**(2,562)**	(97)
Total items that may be subsequently reclassified to profit or loss	**(39,820)**	984
Other comprehensive (expense)/income for the period	**(39,820)**	984
Total comprehensive income for the period	**2,004,297**	2,715,044
Total comprehensive income attributable to:		
Owners of the Company	**1,315,749**	1,904,097
Non-controlling interests	**688,548**	810,947
Total comprehensive income for the period	**2,004,297**	2,715,044

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	**30 June 2013** ***RMB'000*** **(unaudited)**	31 December 2012 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	12	**117,770,820**	105,413,739
Prepaid lease payments		**12,753,803**	11,667,731
Investment properties		**316,695**	318,842
Goodwill	13	**39,234,776**	31,002,443
Intangible assets		**4,223,187**	3,420,644
Interests in associates	14	**7,343,572**	6,350,167
Available-for-sale financial assets	17	**512,826**	575,337
Deposits	15	**7,908,023**	8,409,669
Deferred income tax assets		**2,102,785**	1,764,154
		192,166,487	168,922,726
Current assets			
Inventories		**14,270,701**	12,222,221
Trade and other receivables	16	**48,484,839**	45,611,201
Held-for-trading investments	18	**168,678**	247,663
Amounts due from related parties	27(b)	**6,324,003**	5,824,406
Pledged bank deposits	19	**3,310,042**	3,383,274
Cash and cash equivalents		**11,235,963**	10,222,056
		83,794,226	77,510,821

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 30 JUNE 2013

	Note	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Current liabilities			
Trade and other payables	20	**44,982,946**	47,250,608
Amounts due to related parties	27(b)	**1,999,109**	2,023,967
Borrowings - amount due within one year	21	**96,834,725**	90,751,945
Obligations under finance leases		**2,082,780**	1,749,899
Current income tax liabilities		**1,627,024**	1,926,978
Dividend payable to non-controlling interests		**1,161,801**	214,366
		148,688,385	143,917,763
Net current liabilities		**(64,894,159)**	(66,406,942)
Total assets less current liabilities		**127,272,328**	102,515,784
Non-current liabilities			
Borrowings - amount due after one year	21	**72,798,463**	51,864,572
Deferred income		**1,352,424**	1,026,178
Obligations under finance leases		**3,739,583**	3,514,960
Financial guarantee contracts due after one year		**58,695**	60,150
Deferred income tax liabilities		**1,959,201**	1,985,077
		79,908,366	58,450,937
Net assets		**47,363,962**	44,064,847
Capital and reserves			
Share capital	22	**5,399,026**	5,399,026
Reserves		**25,499,309**	25,097,072
Equity attributable to:			
Owners of the Company		**30,898,335**	30,496,098
Non-controlling interests		**16,465,627**	13,568,749
Total equity		**47,363,962**	44,064,847

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserve fund *RMB'000*	Fair value reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2013 (audited)	5,399,026	4,824,481	28,277	1,640,937	6,620	29,589	18,567,168	30,496,098	13,568,749	44,064,847
Profit for the period	–	–	–	–	–	–	1,352,262	1,352,262	691,855	2,044,117
Other comprehensive expense										
– Currency translation differences	–	–	–	–	–	(21,674)	–	(21,674)	(238)	(21,912)
– Changes in the fair value of available-for-sale financial assets	–	–	–	–	(12,277)	–	–	(12,277)	(3,069)	(15,346)
– Shares of associates' other comprehensive expense	–	–	(2,562)	–	–	–	–	(2,562)	–	(2,562)
Total comprehensive income for the period	–	–	(2,562)	–	(12,277)	(21,674)	1,352,262	1,315,749	688,548	2,004,297
Transactions with owners in their capacity as owners:										
Dividends *(Note 10)*	–	–	–	–	–	–	(836,849)	(836,849)	–	(836,849)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(727,435)	(727,435)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	191,200	191,200
Increase in non-controlling interests as a result of acquisition of new subsidiaries *(Note 23)*	–	–	–	–	–	–	–	–	108,915	108,915
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries *(Note 24(a))*	–	–	(19,078)	–	–	–	–	(19,078)	(57,950)	(77,028)
Deemed partial disposal of interests in subsidiaries without losing control *(Note 24(b))*	–	–	(12,318)	(50,948)	–	–	–	(63,266)	2,693,266	2,630,000
Appropriation to statutory reserve	–	–	–	127,470	–	–	(127,470)	–	–	–
Others	–	–	5,681	–	–	–	–	5,681	334	6,015
At 30 June 2013 (unaudited)	5,399,026	4,824,481	–	1,717,459	(5,657)	7,915	18,955,111	30,898,335	16,465,627	47,363,962

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserve fund *RMB'000*	Fair value reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2012 (audited)	5,399,026	4,824,481	281,282	925,123	11,435	26,249	14,864,172	26,331,768	11,279,394	37,611,162
Profit for the period	–	–	–	–	–	–	1,900,728	1,900,728	813,332	2,714,060
Other comprehensive (expense)/income										
– Currency translation differences	–	–	–	–	–	11,892	–	11,892	(279)	11,613
– Changes in the fair value of available-for-sale financial assets	–	–	–	–	(8,426)	–	–	(8,426)	(2,106)	(10,532)
– Shares of associates' other comprehensive expense	–	–	(97)	–	–	–	–	(97)	–	(97)
Total comprehensive income for the period	–	–	(97)	–	(8,426)	11,892	1,900,728	1,904,097	810,947	2,715,044
Transactions with owners in their capacity as owners:										
Dividends *(Note 10)*	–	–	–	–	–	–	(1,160,791)	(1,160,791)	–	(1,160,791)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(1,171,939)	(1,171,939)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,260,700	1,260,700
Increase in non-controlling interests as a result of acquisition of new subsidiaries	–	–	–	–	–	–	–	–	187,966	187,966
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries	–	–	(59,431)	–	–	–	–	(59,431)	(75,519)	(134,950)
Appropriation to statutory reserve	–	–	–	173,610	–	–	(173,610)	–	–	–
At 30 June 2012 (unaudited)	5,399,026	4,824,481	221,754	1,098,733	3,009	38,141	15,430,499	27,015,643	12,291,549	39,307,192

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**4,568,255**	4,065,226
Investing activities		
Purchases of property, plant and equipment	**(5,706,679)**	(2,819,709)
Purchases of intangible assets	**(402,381)**	(80,625)
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(3,077,413)**	(5,090,554)
Payments for acquisition of interests in associates	**(902,617)**	(744,020)
Deposits paid	**(7,908,023)**	(10,840,315)
Other investing cash flows - net	**(2,574,413)**	2,459,371
Net cash used in investing activities	**(20,571,526)**	(17,115,852)
Financing activities		
Interest paid	**(4,290,995)**	(3,074,470)
Dividends paid to shareholders	**(836,849)**	(1,160,791)
Dividends paid to the non-controlling interests of subsidiaries	**(478,115)**	(323,523)
Repayment of borrowings	**(56,978,456)**	(31,042,063)
New borrowings raised	**81,433,175**	59,334,935
Other financing cash flows - net	**(1,837,078)**	(6,885,877)
Net cash generated from financing activities	**17,011,682**	16,848,211
Net increase in cash and cash equivalents	**1,008,411**	3,797,585
Cash and cash equivalents at 1 January	**10,222,056**	9,738,253
Effect of foreign exchange rate changes	**5,496**	11,892
Cash and cash equivalents at 30 June	**11,235,963**	13,547,730

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. GENERAL INFORMATION

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

The registered office and principal place of business of the Company is located at No.A-11 Sanlihe Road, Haidian district, Beijing, the PRC.

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

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

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

The condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012, which has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board.

The accounting policies used in this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2013:

IFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRIC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
IFRSs (Amendments)	Annual Improvements to IFRSs 2009 - 2011 Cycle, except for amendments IAS 1

The adoption of the new and amended standards had no material effect on the amounts reported and disclosures set out in the condensed consolidated interim financial information of the Group for the current or prior accounting periods.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2013, and have not been early adopted by the Group:

IFRS 9	Financial Instruments[2]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
IFRS 10, IFRS 12 and IAS 27 (as revised in 2011) (Amendments)	Investment Entities[1]
IAS 32 (Amendments)	Presentation - Offsetting Financial Assets and Financial Liabilities[1]
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC Interpretation - 21	Levies[1]

1 *Effective for annual periods beginning on or after 1 January 2014.*
2 *Effective for annual periods beginning on or after 1 January 2015.*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The condensed consolidated interim financial information 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 2012.

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

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 estimation

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.3 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value at 30 June 2013:

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Held-for-trading investments	168,678	—	—	168,678
Available-for-sale financial assets	215,752	—	—	215,752
Total assets (unaudited)	384,430	—	—	384,430

The following table presents the Group's assets that are measured at fair value at 31 December 2012:

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Held-for-trading investments	247,663	—	—	247,663
Available-for-sale financial assets	231,099	—	—	231,099
Total assets (audited)	478,762	—	—	478,762

In 2013, there were no significant transfers between levels of the financial assets.

In 2013, 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.

In 2013, there were no reclassification of financial assets.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

5. SEGMENT INFORMATION

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

The revised segment results for the six months ended 30 June 2012 constitutes a reclassification of concrete business from cement business in order to better reflect the future development of concrete business line of the Group. The change has no impact on reported revenue and profit.

Principal activities are as follows:

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

More than 90% of the Group's operations and assets are located in the PRC for the period ended 30 June 2013 and year ended 31 December 2012.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

5. SEGMENT INFORMATION *(CONTINUED)*

(a) For the six months ended 30 June 2013:

The segment results for the six months ended 30 June 2013 are as follows:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue								
External sales	30,704,585	10,604,024	3,236,121	833,029	2,277,163	2,876,479	—	50,531,401
Inter-segment sales *(Note)*	1,363,889	—	102	—	493,841	936,709	(2,794,541)	—
	32,068,474	10,604,024	3,236,223	833,029	2,771,004	3,813,188	(2,794,541)	50,531,401
Adjusted EBITDA (unaudited)	7,117,606	1,889,398	758,866	120,133	189,065	124,274	—	10,199,342
Depreciation and amortisation	(2,419,761)	(375,005)	(151,982)	(48,415)	(22,977)	(15,062)	14,306	(3,018,896)
Unallocated other income								(57,426)
Unallocated administrative expenses								(82,182)
Share of profit / (loss) of associates	88,010	—	(498)	46,480	(394)	8,672	—	142,270
Finance costs - net	(2,737,928)	(743,511)	(83,686)	(32,614)	(77,708)	(64,542)	—	(3,739,989)
Unallocated finance costs - net								(578,374)
Profit before income tax								2,864,745
Income tax expenses								(820,628)
Profit for the period (unaudited)								2,044,117

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

5. SEGMENT INFORMATION *(CONTINUED)*

(b) As at 30 June 2013:

The segment assets and liabilities as at 30 June 2013 are as follows:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
ASSETS								
Segment assets	185,866,357	33,204,295	9,474,196	5,962,540	6,654,947	5,415,118	—	246,577,453
Interests in associates	5,349,456	84,961	138,344	1,662,800	43,516	64,495	—	7,343,572
Unallocated assets								22,039,688
Total consolidated assets (unaudited)								275,960,713
LIABILITIES								
Segment liabilities	148,530,538	13,522,673	4,937,565	4,045,923	6,111,314	4,825,652	—	181,973,665
Unallocated liabilities								46,623,086
Total consolidated liabilities (unaudited)								228,596,751

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

5. SEGMENT INFORMATION *(CONTINUED)*

(c) For the six months ended 30 June 2012:

The segment results for the six months ended 30 June 2012 are as follows (revised):

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue								
External sales	26,294,820	2,336,538	2,997,723	1,041,330	2,011,529	3,256,405	—	37,938,345
Inter-segment sales *(Note)*	—	—	—	—	314,487	120,890	(435,377)	—
	26,294,820	2,336,538	2,997,723	1,041,330	2,326,016	3,377,295	(435,377)	37,938,345
Adjusted EBITDA	6,492,571	576,491	562,572	103,056	172,112	76,025	—	7,982,827
Depreciation and amortisation	(1,648,649)	(53,341)	(125,619)	(44,724)	(26,953)	(12,098)	(6,369)	(1,917,753)
Unallocated other income								42,371
Unallocated administrative expenses								(98,617)
Share of profit / (loss) of associates	134,551	—	(244)	36,698	(334)	(1,342)	—	169,329
Finance costs - net	(1,905,151)	(104,033)	(71,288)	(37,894)	(60,203)	(9,160)	—	(2,187,729)
Unallocated finance costs - net								(436,469)
Profit before income tax								3,553,959
Income tax expenses								(839,899)
Profit for the period (unaudited)								2,714,060

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

5. SEGMENT INFORMATION *(CONTINUED)*

(d) As at 31 December 2012:

The segment assets and liabilities as at 31 December 2012 are as follows:

Audited	Cement RMB'000	Concrete RMB'000	Lightweight building materials RMB'000	Glass fiber and composite materials RMB'000	Engineering services RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
ASSETS								
Segment assets	169,575,996	25,133,982	8,613,442	5,609,157	5,934,889	4,917,876	—	219,785,342
Interests in associates	4,406,955	—	198,812	1,643,970	41,269	59,161	—	6,350,167
Unallocated assets								20,298,038
Total consolidated assets (audited)								246,433,547
LIABILITIES								
Segment liabilities	132,321,781	12,365,123	4,199,625	3,389,237	5,281,435	3,969,821	—	161,527,022
Unallocated liabilities								40,841,678
Total consolidated liabilities (audited)								202,368,700

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

5. SEGMENT INFORMATION *(CONTINUED)*

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Adjusted EBITDA for reportable segments	**10,075,068**	7,906,802
Adjusted EBITDA for other segment	**124,274**	76,025
Total segments profit	**10,199,342**	7,982,827
Depreciation of property, plant and equipment	**(2,736,525)**	(1,708,078)
Amortisation of intangible assets	**(138,282)**	(110,605)
Prepaid lease payments released to the condensed consolidated income statement	**(144,089)**	(99,070)
Corporate items	**(139,608)**	(56,246)
Operating profit	**7,040,838**	6,008,828
Finance costs - net	**(4,318,363)**	(2,624,198)
Share of profit of associates	**142,270**	169,329
Profit before income tax	**2,864,745**	3,553,959

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

6. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other investments income	**2,293**	100
Changes in fair value of held-for-trading investments	**(78,985)**	131,051
Financial guarantee income	**—**	158
Government subsidies		
VAT refunds *(Note a)*	**738,994**	611,741
Government grants *(Note b)*	**619,441**	539,819
Interest subsidies	**11,227**	2,019
Net rental income	**74,095**	22,225
Discount on acquisition of interests in subsidiaries	**476**	4,270
Gain on disposal of other investments	**11,378**	1,657
Gain on disposal of associates	**8,097**	—
Claims received	**7,445**	7,413
Waiver of payables	**3,776**	108,771
Others	**129,728**	31,661
	1,527,965	1,460,885

Notes:

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

7. FINANCE COSTS - NET

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings:		
— wholly repayable within five years	**3,372,290**	2,734,585
— not wholly repayable within five years	**64,985**	69,620
	3,437,275	2,804,205
Interest expenses on bonds, other borrowings and finance leases	**1,347,124**	245,494
Less: Interest capitalised to construction in progress	**(163,115)**	(149,170)
	4,621,284	2,900,529
Interest income:		
— interest on bank deposits	**(142,546)**	(124,795)
— interest on loans receivable	**(160,375)**	(151,536)
	(302,921)	(276,331)
Finance costs - net	**4,318,363**	2,624,198

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**2,737,257**	1,708,079
Depreciation of investment properties	**4,587**	3,915
Amortisation of intangible assets	**138,282**	110,605
Prepaid lease payments released to condensed consolidated income statement	**144,089**	99,070
Allowance for bad and doubtful debts	**192,373**	150,251
Write down of inventories	**—**	4,878
Impairment loss on property, plant and equipment	**—**	4,604
Staff costs	**3,967,598**	2,378,366
Net exchange gain	**(23,061)**	(8,947)

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax	**1,222,038**	1,084,377
Deferred income tax	**(401,410)**	(244,478)
	820,628	839,899

PRC income tax is calculated at 25% (2012: 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% 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

10. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends	**836,849**	1,160,791

During the period, a dividend amounting to approximately RMB836.85 million (Six months ended 30 June 2012: approximately RMB1,160.79 million) was announced as the final dividend for the immediate preceding financial year end.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	**1,352,262**	1,900,728

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Weighted average number of ordinary shares at 30 June	**5,399,026,262**	5,399,026,262

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

12. PROPERTY, PLANT AND EQUIPMENT

As at six months ended 30 June 2013

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2013 (audited)	11,130,674	44,975,116	45,412,993	3,894,956	105,413,739
Additions	3,664,505	184,404	438,663	122,744	4,410,316
Acquisition of subsidiaries *(Note 23)*	1,381,065	4,076,097	4,457,259	891,956	10,806,377
Transfer from construction in progress	(2,974,187)	1,281,432	1,686,846	5,909	—
Transfer to construction in progress for reconstruction	156,361	(42,656)	(113,175)	(530)	—
Transfer to investment properties	—	(3,485)	—	—	(3,485)
Disposals	(78,672)	(11,090)	(21,839)	(7,269)	(118,870)
Depreciation	—	(639,491)	(1,808,810)	(288,956)	(2,737,257)
Net book value as at 30 June 2013 (unaudited)	13,279,746	49,820,327	50,051,937	4,618,810	117,770,820

As at 31 December 2012

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2012 (audited)	7,198,862	29,583,146	33,369,045	1,010,087	71,161,140
Additions	7,181,032	683,385	688,636	270,807	8,823,860
Acquisition of subsidiaries *(Note 23)*	4,223,032	12,747,877	10,313,287	2,886,211	30,170,407
Transfer from construction in progress	(8,055,838)	3,636,089	4,407,114	12,635	—
Transfer to construction in progress for reconstruction	807,880	(391,218)	(416,649)	(13)	—
Transfer to prepaid lease payments	(100,197)	(3,743)	—	—	(103,940)
Transfer to investment properties	(15,920)	(32,014)	—	—	(47,934)
Disposals	(103,573)	(246,511)	(289,465)	(29,924)	(669,473)
Depreciation and impairment	(4,604)	(1,001,895)	(2,658,975)	(254,847)	(3,920,321)
Net book value as at 31 December 2012 (audited)	11,130,674	44,975,116	45,412,993	3,894,956	105,413,739

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

13. GOODWILL

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
At the beginning of the period/year	**31,002,443**	14,901,036
Arising from acquisition of subsidiaries *(Note 23)*	**8,232,333**	16,101,407
At the end of the period/year	**39,234,776**	31,002,443

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 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Cement	**31,547,729**	25,332,156
Concrete	**7,359,281**	5,531,560
Lightweight building materials	**87,205**	87,205
Glass fiber and composite materials	**32,690**	32,690
Engineering services	**62**	62
Others	**207,809**	18,770
	39,234,776	31,002,443

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

14. INTERESTS IN ASSOCIATES

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Cost of investments in associates		
— listed in the PRC	**1,761,361**	666,838
— unlisted	**3,941,103**	3,835,379
Share of post-acquisition profit, net of dividend received	**1,641,108**	1,847,950
	7,343,572	6,350,167
Fair value of listed investments	**3,686,769**	3,577,031

As at 30 June 2013, the cost of investments in associates included goodwill of associates of approximately RMB918.46 million (31 December 2012: approximately RMB1,027.63 million).

15. DEPOSITS

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Investment deposits for acquisition of subsidiaries	**2,523,054**	4,493,080
Investment deposits for acquisition of associates	**10,009**	—
Deposits paid to acquire property, plant and equipment	**4,458,845**	3,255,736
Deposits paid to acquire intangible assets	**281,837**	322,164
Deposits paid in respect of prepaid lease payments	**634,278**	338,689
	7,908,023	8,409,669

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

16. TRADE AND OTHER RECEIVABLES

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables, net of allowance for bad and doubtful debts	**22,661,172**	20,116,046
Bills receivable	**3,733,135**	6,134,407
Amounts due from customers for contract work	**802,518**	379,937
Prepaid lease payments	**287,738**	247,370
Other receivables, deposits and prepayments	**21,000,276**	18,733,441
	48,484,839	45,611,201

The Group normally allowed an average of credit period of 60 to 180 days to its trade customers. Ageing analysis of trade receivables are as follows:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within two months	**7,157,062**	8,178,120
More than two months but within one year	**11,839,162**	9,361,932
Between one and two years	**2,944,753**	2,226,311
Between two and three years	**617,485**	203,189
Over three years	**102,710**	146,494
	22,661,172	20,116,046

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2013 *RMB'000* (unaudited)	31 December 2012 *RMB'000* (audited)
Available-for-sale financial assets:		
Unlisted equity shares	**297,073**	344,238
Listed equity shares listed outside Hong Kong	**215,753**	231,099
	512,826	575,337

18. HELD-FOR-TRADING INVESTMENTS

	30 June 2013 *RMB'000* (unaudited)	31 December 2012 *RMB'000* (audited)
Held-for-trading investments at market value:		
Quoted investment funds listed outside Hong Kong	**678**	663
Quoted listed equity shares listed outside Hong Kong	**168,000**	247,000
	168,678	247,663

19. PLEDGED BANK DEPOSITS

As at 30 June 2013, the Group pledged approximately RMB3,310.04 million bank deposits (31 December 2012: approximately RMB3,383.27 million) to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The pledged bank deposits carry interest at market rates which range from 0.35% to 2.75% (31 December 2012: 0.36% to 2.75%) per annum.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

20. TRADE AND OTHER PAYABLES

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Trade payables	**17,584,814**	17,339,831
Bills payable	**6,372,966**	5,816,210
Amounts due to customers for contract work	**213,867**	149,408
Other payables	**20,811,299**	23,945,159
	44,982,946	47,250,608

The aged analyses of trade payables are as follows:

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Trade payables		
Within two months	**6,409,365**	7,865,398
More than two months but within one year	**8,579,313**	7,032,522
Between one and two years	**1,661,239**	1,825,741
Between two and three years	**595,036**	339,739
Over three years	**339,861**	276,431
	17,584,814	17,339,831

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

21. BORROWINGS

	30 June 2013 *RMB'000* (unaudited)	31 December 2012 *RMB'000* (audited)
Bank borrowings:		
— Secured	**8,335,833**	8,924,516
— Unsecured	**119,295,584**	99,244,221
	127,631,417	108,168,737
Bonds	**41,100,000**	34,100,000
Other borrowings from non-financial institutions	**901,771**	347,780
	169,633,188	142,616,517

Analysed for reporting purposes:

	30 June 2013 *RMB'000* (unaudited)	31 December 2012 *RMB'000* (audited)
Non-current	**72,798,463**	51,864,572
Current	**96,834,725**	90,751,945
	169,633,188	142,616,517

The interest rates of the borrowings are ranging from 2% to 8% per annum during the period (2012: 2% to 8%).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

21. BORROWINGS *(CONTINUED)*

Movement in borrowings is analysed as follows:

Six months ended 30 June 2013	***RMB'000***
Opening amount at 1 January 2013 (audited)	**142,616,517**
Additions during the period	**81,433,175**
Acquisition of subsidiaries *(Note 23)*	**2,561,952**
Repayments of borrowings	**(56,978,456)**
Closing amount at 30 June 2013 (unaudited)	**169,633,188**

Six months ended 30 June 2012	*RMB'000*
Opening amount at 1 January 2012 (audited)	85,866,226
Additions during the period	59,334,935
Acquisition of subsidiaries	1,068,633
Repayments of borrowings	(31,042,063)
Closing amount at 30 June 2012 (unaudited)	115,227,731

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

	30 June 2013 ***RMB'000*** **(unaudited)**	31 December 2012 *RMB'000* (audited)
Property, plant and equipment	**5,424,413**	6,415,856
Prepaid lease payments	**1,214,648**	1,537,301
Investment properties	**207,207**	165,000
Mining rights	**15,793**	22,176
Pledged bank deposits *(Note 19)*	**3,310,041**	3,383,274
Trade receivables	**1,276,478**	1,365,460
Bills receivable	**441,103**	2,285,190
	11,889,683	15,174,257

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

22. SHARE CAPITAL

	Domestic Shares *(Note (a))*		H Shares *(Note (b))*		
	Number of shares	Amount	Number of shares	Amount	Total capital
		RMB'000		*RMB'000*	*RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

There are no movements in share capital during the six months period ended 30 June 2013.

Notes:

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

23. BUSINESS COMBINATIONS

During the period, the Group acquired 80 subsidiaries and certain businesses. The acquired subsidiaries and businesses are principally engaged in the production, storage and sale of cement and concrete, and merchandise trading business and others.

These acquisitions have been accounted for using the purchase method.

Net assets acquired in the transactions during the period/year, and the goodwill arising, are as follows:

	30 June 2013 Fair value ***RMB'000*** **(unaudited)**	31 December 2012 Fair value *RMB'000* (audited)
Net assets acquired:		
Property, plant and equipment *(Note 12)*	**10,806,377**	30,170,407
Intangible assets	**535,909**	909,763
Interests in associates	**—**	92
Prepaid lease payments	**926,089**	3,760,889
Available-for-sale financial assets	**—**	75,923
Deferred income tax assets	**89,647**	251,279
Inventories	**913,959**	2,643,957
Trade and other receivables	**3,557,835**	9,707,584
Amounts due from the related parties	**—**	222,883
Held-for-trading investments	**—**	399
Pledged bank deposits	**125,730**	329,334
Cash and cash equivalents	**454,037**	1,653,349
Trade and other payables	**(9,944,563)**	(27,904,870)
Current income tax liabilities	**(36,992)**	(154,470)
Dividend payable to non-controlling interests	**(24,551)**	(394,005)
Amounts due to the related parties	**(272,372)**	(916,492)
Borrowings *(Note 21)*	**(2,561,952)**	(6,310,324)
Obligation under finance leases	**(148,856)**	(637,651)
Deferred income tax liabilities	**(120,985)**	(585,155)
Net assets	**4,299,312**	12,822,892

The acquisition-related costs of approximately RMB37.46 million (Six months ended 30 June 2012: approximately RMB5.46 million) have been recognised in the condensed consolidated income statement.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

23. BUSINESS COMBINATIONS *(CONTINUED)*

	30 June 2013 Fair value *RMB'000* (unaudited)	31 December 2012 Fair value *RMB'000* (audited)
Net assets acquired	**4,299,312**	12,822,892
Non-controlling interests	**(108,915)**	(585,816)
Interest transferred from available-for-sale financial assets	**(13,500)**	—
Interests transferred from interests in associates	**(131,113)**	(123,693)
Discount on acquisition of interests in subsidiaries	**(476)**	(42,965)
Goodwill *(Note 13)*	**8,232,333**	16,101,407
Total consideration	**12,277,641**	28,171,825

	30 June 2013 *RMB'000* (unaudited)	31 December 2012 *RMB'000* (audited)
Total consideration satisfied by:		
Cash	**3,531,450**	15,634,360
Other payables	**8,746,191**	12,537,465
	12,277,641	28,171,825
Net cash outflow arising on acquisition:		
Cash consideration paid	**(3,531,450)**	(15,634,360)
Less: Cash and cash equivalents acquired	**454,037**	1,653,349
	(3,077,413)	(13,981,011)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

23. BUSINESS COMBINATIONS *(CONTINUED)*

The non-controlling interests are measured at the value of their proportionate share of the recognised amount of net assets acquired at the acquisition date.

The goodwill arising on the acquisition of these subsidiaries and businesses is mainly attributable to the benefit of expected revenue growth and future market development in Zhejiang province, Jiangxi province, Sichuan province, Guizhou province, Heilongjiang province, Yunnan province, Guangdong province and Anhui province, 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 RMB3,472.10 million and RMB185.53 million respectively attributable to the additional business generated by these newly acquired subsidiaries and businesses.

Had these business combinations been effected at 1 January 2013, the revenue for the period of the Group would be approximately RMB51,254.81 million, and profit for the period of the Group would be approximately RMB1,868.31 million. The directors of the Group consider these 'pro-forma' only an approximate measure of the performance of the combined group for the interim period and is used as reference point for comparison in future periods.

24. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Acquisition of additional interests in subsidiaries

During the six months ended 30 June 2013, the Group acquired additional issued shares of 3 subsidiaries for a consideration of approximately RMB77.03 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB57.95 million. The Group recognised a decrease in non-controlling interests of approximately RMB57.95 million and a decrease in equity attributable to owners of the Company of approximately RMB19.08 million.

	30 June 2013 ***RMB'000*** **(unaudited)**	31 December 2012 *RMB'000* (audited)
Carrying amount of non-controlling interests acquired	**57,950**	484,959
Consideration paid to non-controlling interests	**(77,028)**	(749,209)
Excess of consideration paid recognised within equity	**(19,078)**	(264,250)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

24. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL *(CONTINUED)*

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

On 24 January 2013, non-controlling interests of North Cement Company Limited ("North Cement") injected additional share capital of RMB400.00 million as registered share capital and RMB100.00 million as share premium. After that, the Group's effective equity interests in North Cement were diluted from 77.78% to 70%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB41.14 million and increase in non-controlling interests of approximately RMB541.14 million.

On 1 January 2013, the 100% equity interests of Heilongjiang BinZhou Cement Company Limited ("BinZhou Cement") previously held by the Company were transferred to North Cement, a 70% owned subsidiary of the Group as per aforementioned. After that, the Group's effective equity interests in BinZhou Cement were diluted from 100% to 70%. As a result, the Group recognised a decrease in equity attributable to owners of the Company and increase in non-controlling interests of approximately RMB3.81 million.

On 24 June 2013, non-controlling interests of Southwest Cement Company Limited ("Southwest Cement") injected additional share capital of RMB2,130.00 million as registered share capital. After that, the Group's effective equity interests in Southwest Cement were diluted from 88.95% to 70%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB18.32 million and increase in non-controlling interests of approximately RMB2,148.32 million.

25. COMMITMENTS

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Capital expenditure of the Group contracted but not provided for:		
— Acquisition of property, plant and equipment	**479,592**	553,863
— Acquisition of prepaid lease payments	**50,985**	92,985
— Acquisition of subsidiaries	**669,954**	962,999

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

26. CONTINGENT LIABILITIES

At the reporting date, the Group had the following undiscounted maximum amounts of potential future payments under guarantees:

	30 June 2013 ***RMB'000*** **(unaudited)**	31 December 2012 *RMB'000* (audited)
Guarantees given to banks in respect of banking facilities utilised by independent third parties	**60,000**	355,000

27. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised), "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include the Parent and its subsidiaries (other than the Group), other government-related entities and their subsidiaries ("other state-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

27. RELATED PARTY TRANSACTIONS (*CONTINUED)*

(a) Transactions with related parties:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of production supplies to		
— the Parent Group	**2,331**	24,027
— Associates	**109,856**	90,681
— Non-controlling interests of subsidiaries	**215,758**	232,422
	327,945	347,130
Provision of support services to		
— the Parent Group	**231,573**	231,971
— Associates	**3**	34
— Non-controlling interests of subsidiaries	**54,788**	—
	286,364	232,005
Rental income received from		
— the Parent Group	**945**	2,907
— Associates	**9,882**	9,685
	10,827	12,592
Rendering of engineering services to the Parent Group	**9,253**	104,658
Supply of raw materials by		
— the Parent Group	**46,892**	22,221
— Associates	**—**	7,253
— Non-controlling interests of subsidiaries	**—**	39,995
	46,892	69,469

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

27. RELATED PARTY TRANSACTIONS (*CONTINUED*)

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of production supplies by		
— the Parent Group	**39,639**	134,808
— Associates	**—**	14,934
— Non-controlling interests of subsidiaries	**66,806**	30,012
	106,445	179,754
Provision of support services by		
— the Parent Group	**643**	4,122
— Non-controlling interests of subsidiaries	**160**	103
	803	4,225
Rental expenses paid to		
— the Parent Group	**782**	368
— Non-controlling interests of subsidiaries	**1,760**	180
	2,542	548
Interest income received from		
— Associates	**62,130**	25,257
— Non-controlling interests of subsidiaries	**317**	—
	62,447	25,257
Interest expenses paid to Non-controlling interests of subsidiaries	**675**	13,139
Rendering of engineering services by the Parent Group	**437**	—
Supplying of equipment by		
— the Parent Group	**65,336**	59,954
— Non-controlling interests of subsidiaries	**600**	—
	65,936	59,954

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

27. RELATED PARTY TRANSACTIONS (*CONTINUED)*

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

	30 June 2013 ***RMB'000*** **(unaudited)**	31 December 2012 *RMB'000* (audited)
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**1,999,712**	2,234,179
Associates	**228,556**	42,139
Immediate holding company	**—**	30
Non-controlling interests of subsidiaries	**670,020**	440,815
	2,898,288	2,717,163
Non-trading in nature:		
Fellow subsidiaries	**216,533**	537,822
Associates	**2,922,947**	2,448,019
Immediate holding company	**46**	46
Non-controlling interests of subsidiaries	**286,189**	121,356
	3,425,715	3,107,243
	6,324,003	5,824,406
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**508,898**	226,485
Associates	**349,780**	230,246
Immediate holding company	**9**	—
Non-controlling interests of subsidiaries	**100,447**	95,078
	959,134	551,809
Non-trading in nature:		
Fellow subsidiaries	**43,542**	62,478
Associates	**142**	20,029
Immediate holding company	**3,238**	3,218
Non-controlling interests of subsidiaries	**993,053**	1,386,433
	1,039,975	1,472,158
	1,999,109	2,023,967

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

27. RELATED PARTY TRANSACTIONS (*CONTINUED)*

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

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

As at 30 June 2013, amounts due from related parties of approximately RMB109.12 million (31 December 2012: approximately RMB106.71 million) carry the fixed interest rate of 6% (31 December 2012: 6%) per annum. As at 30 June 2013, no amounts due from related parties carry the variable interest rate (31 December 2012: RMB Nil). The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2013, no amounts due to related parties (31 December 2012: approximately RMB125.00 million) carry the fixed interest rate (31 December 2012: 6.74%) per annum. As at 30 June 2013, amounts due to related parties of approximately RMB372.46 million (31 December 2012: approximately RMB460.11 million) carry the variable loan interest stipulated by the bank for the corresponding period at rate of 6.56% (31 December 2012: 6.86%) 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 2013, 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 2013 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

27. RELATED PARTY TRANSACTIONS (*CONTINUED)*

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2013 are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**3,541**	4,431
Share based payments	**—**	221
Post-employment benefits	**101**	88
	3,642	4,740

28. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information set out on pages 48 to 88 have been approved and authorised for issue by the Board of Directors on 23 August 2013.