Materials

Bring a Prosperous Life

2013 Interim Report

China National Materials Company Limited

A joint stock company incorporated in the People's Republic of China with limited liability

(Stock Code: 01893)

Contents

Corporate Information

As at 30 June 2013

DIRECTORS

Executive Directors[1]

LIU Zhijiang *(Chairman)*

LI Xinhua *(Vice Chairman)*

Non-executive Directors[2]

YU Shiliang[1]

ZHANG Hai

TANG Baoqi

Independent Non-executive Directors

LEUNG Chong Shun

SHI Chungui[2]

LU Zhengfei

WANG Shimin

ZHOU Zude

SUPERVISORS

XU Weibing *(Chairman)*

ZHANG Renjie

WANG Jianguo

YU Xingmin[3]

QU Xiaoli

STRATEGY COMMITTEE[4]

LIU Zhijiang *(Chairman)*

YU Shiliang

LI Xinhua

ZHOU Zude

AUDIT COMMITTEE

LU Zhengfei *(Chairman)*

WANG Shimin

Yu Shiliang[5]

REMUNERATION COMMITTEE

SHI Chungui *(Chairman)*[6]

LEUNG Chong Shun

LU Zhengfei

NOMINATION COMMITTEE

LIU Zhijiang *(Chairman)*[7]

SHI Chungui[8]

ZHOU Zude

Notes:

1 On 5 February 2013, Mr. LIU Zhijiang, was re-designated as an executive Director from a non-executive Director of the Company and was appointed as the Chairman of the Board; Mr. LI Xinhua was appointed as the Vice-chairman of the Board; Mr. YU Shiliang, was re-designated as a non-executive Director from an executive Director of the Company. Please refer to the announcement of the Company dated 5 February 2013 for details.

2 On 30 July 2013, Mr. LI Jianlun and Mr. YU Guobo were appointed as non-executive Directors of the Company, and Mr. SHI Chungui ceased to be an independent non-executive Director of the Company. Please refer to the announcement of the Company dated 30 July 2013 for details.

3 On 30 July 2013, Mr. YU Xingmin ceased to be a Supervisor of the Company, and Mr. WANG Yingcai was appointed as a Supervisor of the Company. Please refer to the announcement of the Company dated 30 July 2013 for details.

4 On 5 February 2013, Mr. LIU Zhijiang was appointed as the Chairman of the Strategy Committee in place of Mr. YU Shiliang. On 30 July 2013, Mr. ZHANG Hai, Mr. LI Jianlun and Mr. YU Guobo were appointed as the members of the Strategy Committee.

5 On 5 February 2013, Mr. YU Shiliang was appointed as a member of the Audit Committee in place of Mr. LIU Zhijiang.

6 On 30 July 2013, Mr. WANG Shimin was appointed as the Chairman of the Remuneration Committee in place of Mr. SHI Chungui.

7 On 5 February 2013, Mr. LIU Zhijiang was appointed as the Chairman of the Nomination Committee, and Mr. YU Shiliang ceased to be a member of the Nomination Committee.

8 On 30 July 2013, Mr. WANG Shimin was appointed as a member of the Nomination Committee in place of Mr. Shi Chungui.

As at 30 June 2013

SECRETARY OF THE BOARD

GU Chao

JOINT COMPANY SECRETARIES

GU Chao
YU Leung Fai *(HKICPA, AICPA)*

AUTHORISED REPRESENTATIVES

LIU Zhijiang[1]
YU Leung Fai *(HKICPA, AICPA)*

REGISTERED OFFICE AND PLACE OF BUSINESS

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035, the PRC

PLACE OF BUSINESS IN HONG KONG

7th Floor, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

LEGAL ADVISORS

DLA Piper *(as to Hong Kong law)*
Jia Yuan Law Firm *(as to PRC law)*

AUDITORS

Hong Kong auditor
SHINEWING (HK) CPA Limited

PRC auditor
ShineWing Certified Public Accountant LLP

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

01893

COMPANY WEBSITE

http://www.sinoma-ltd.cn

INVESTOR CONTACT

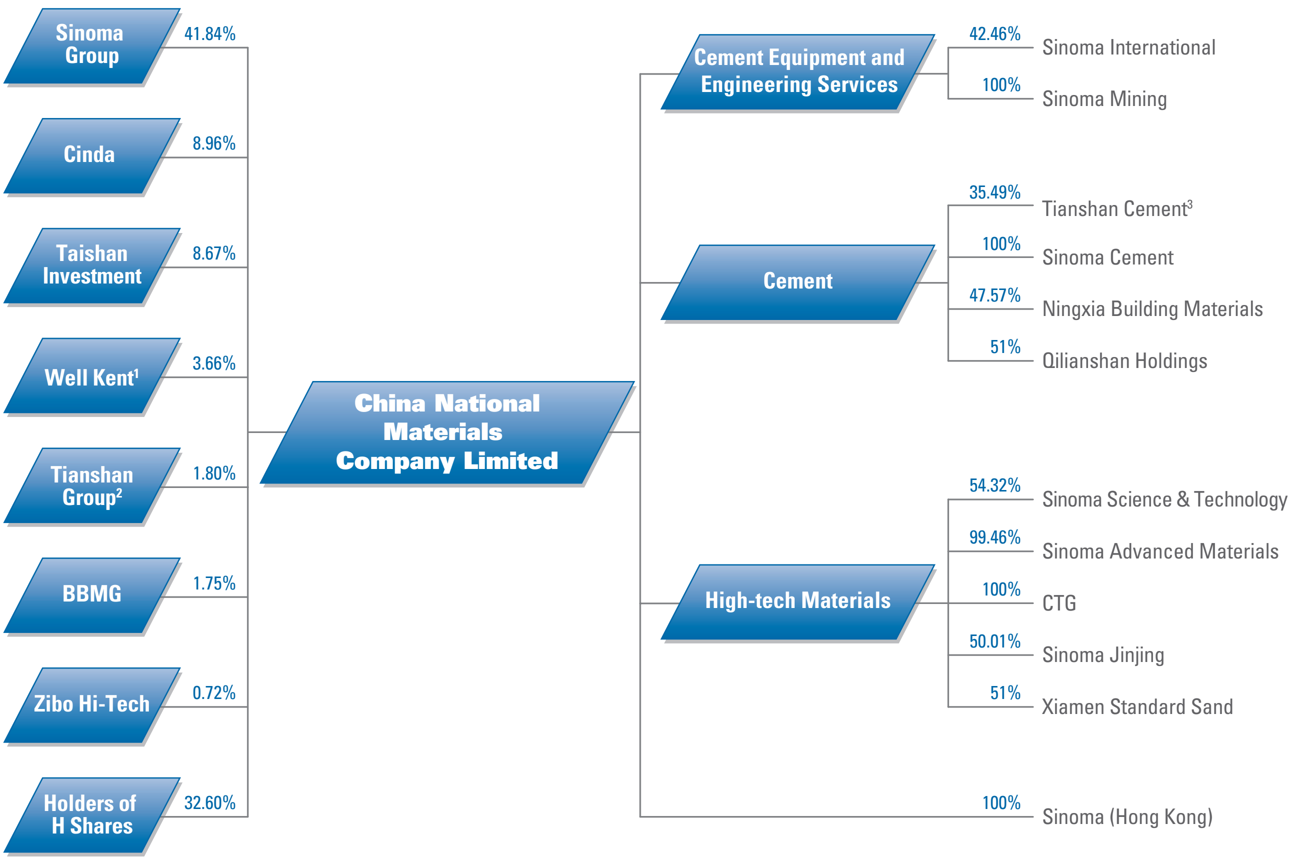
Tel: (8610)8222 9925
Fax: (8610)8222 8800
E-mail: ir@sinoma-ltd.cn

Note:

1 On 5 February 2013, Mr. LIU Zhijiang was appointed as the authorized representative of the Company in place of Mr. YU Shiliang.

Corporate Structure

As at 30 June 2013



Notes:

1 Well Kent is a wholly-owned subsidiary of Cinda.

2 Sinoma Group holds 50.95% of the equity interest in Tianshan Group.

3 The equity interest in Tianshan Cement held by the Company increased from 35.39% to 35.49% as a result of the repayment made by Xinjiang Finance Lease Company Limited (a shareholder of Tianshan Cement) with 907,182 shares in March 2013 which was advanced by the Company during the share reform of Tianshan Cement in 2006.

The above chart covers first-tier subsidiaries only. Subsidiaries on second-tier and below are not listed.

	Six months ended 30 June		
	2013	2012	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Turnover	**21,804.36**	20,403.69	6.86
Profit for the period	**574.71**	599.47	(4.13)
Profit attributable to owners of the Company	**101.21**	165.32	(38.78)
Basic earnings per share (RMB)	**0.03**	0.05	(40.00)

	As at	As at	
	30 June	31 December	
	2013	2012	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Total assets	**95,396.73**	87,908.10	8.52
Total liabilities	**68,577.00**	60,675.52	13.02
Equity attributable to owners of the Company	**10,625.66**	11,415.21	(6.92)
Equity per share (RMB)	**2.98**	3.20	(6.88)

Note: The figures for 2012 have been restated due to the completion of acquisitions of Handan Sinoma Asset Management Co., Ltd., Chengdu Cement Industry Design & Research Institute Co., Ltd., Tianjin Sinoma Asset Management Company Limited, China Building Materials Industry Construction Tianjin Engineering Co., Ltd. and Suzhou Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. (all were under common control), the change from proportion consolidation to equity method of accounting of jointly controlled entities, as well as the adjustment of defined benefit obligations and the recognition of the adjustment of the trading business operating income during the reporting period.

Business Summary

CEMENT EQUIPMENT AND ENGINEERING SERVICES

	Six months ended 30 June		
	2013	2012	Change %
Amount of new order intakes (RMB million)	**22,604**	17,628	28.23

	As at 30 June 2013	As at 31 December 2012	Change %
Amount of backlog (RMB million)	**60,454**	55,187	9.54

CEMENT

	Six months ended 30 June		
	2013	2012	Change %
Sales volume of cement ('000 tonnes)	**31,711**	26,643	19.02
Sales volume of clinker ('000 tonnes)	**4,880**	3,780	29.10

HIGH-TECH MATERIALS

	Six months ended 30 June		
	2013	2012	Change %
Sales volume of glass fiber and products ('000 tonnes)	**214**	219	(2.28)
Sales volume of fan blades for wind power generator (set)	**566**	707	(19.94)
Sales volume of solar-energy fused silica crucibles (unit)	**14,016**	16,622	(15.68)
Sales volume of CNG cylinders (unit)	**140,506**	89,510	56.97

Dear Shareholders,

On behalf of the Board, I report to the shareholders the interim report of the Group for the six months ended 30 June 2013.

In the first half of 2013, despite the mild improvement in the global economy, downside risks and uncertainties remained. Affected by several factors such as excessive production capacity and insufficient effective demand (especially shrinking overseas demand), the PRC economy was faced with greater downward pressure. In face of the complex external environment and increasingly intensified market competition, the Company proactively exploited new market to seize business opportunities and constantly adjusted industrial structure, meanwhile strived to increase revenue and efficiency and reduced expenses and costs by enhancing benchmark comparison management and improving management over the weakness, so as to continuously strengthen our market competitiveness. During the reporting period, turnover of the Group was RMB21,804.36 million, representing a year-on-year increase of 6.86%. Profit for the period was RMB574.71 million, representing a year-on-year decrease of 4.13%. Profit attributable to owners of the Company was RMB101.21 million, representing a year-on-year decrease of 38.78%. Earnings per share amounted to RMB0.03.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

During the reporting period, given the significant decline in the fixed asset investments in domestic cement industry and the complicated and volatile international market, the segment aggressively explored the overseas markets by leveraging on its market competitive strength and advantages in the industry. The amount of new order intakes from the overseas market amounted to RMB14.811 billion, representing a year-on-year increase of 106.48%, which exceeded the total amount of new order intakes from the overseas market last year. As at 30 June 2013, the amount of backlog of the segment was RMB60.454 billion, laying a solid foundation for the sustainable and healthy development of the segment in future.

CEMENT

In the first half of 2013, due to the dual effect of slowdown in macro-economic growth and overcapacity in cement industry, the sales prices of cement and clinker dropped dramatically as compared with the same period of last year, further squeezing the enterprises' profit margin.

During the reporting period, in face of the challenging external environment, the segment reinforced marketing efforts and continuously increased its market share. Furthermore, the segment enhanced benchmark comparison management and accelerated the phase-out of backward production capacity and technical reform of the existing production lines, so as to further improve its operation and management. Due to its efforts to reduce production costs, the production cost for each tonne of cement decreased by 10% on a year-on-year basis. Responding to the overcapacity in cement industry, the segment adjusted its development pace at the right time and to the right extent. In the first half of the year, its cement production capacity reached 104 million tonnes, the total production capacity of commercial concrete amounted to 28.9 million cubic meters, while the installed capacity of the waste-heat power generation reached 326MW.

HIGH-TECH MATERIALS

During the reporting period, due to the impact of shrinking overseas demand, trade protection, excessive production capacity and weak domestic demand, some major product markets of the segment remained sluggish with difficulties in product sales and payment collection. In light of the unfavorable environment, the segment proactively expanded market share by forging alliance with strategic partners and adopting flexible sales strategies, meanwhile strived to strengthen its competitiveness by enhancing management capability, optimizing production process and workflows and reducing production costs. The Company increased its efforts in research and development in the wind power fan blade business, focusing on development of large-size fan blades and other new products, resulting in an increase of RMB40,000 in the average sales price of the products as compared with the same period of last year. The Company stepped up efforts to explore the domestic and overseas markets in the CNG cylinder business, with the sales volume increasing by 57% over the same period of last year. In addition to its efforts to enhance market promotion in LNG cylinder business, the segment continued to improve product quality and production scale. The Company constantly adjusted its product mix and strengthened management on the coordinated development of sales and production in the glass fiber and products business, achieving a production-to-sales ratio of 104% during the reporting period.

PROSPECTS

In the second half of 2013, with many uncertainties and unstable factors in the global economy recovery, the slowdown trend in overseas demand growth will remain unchanged. Despite the overall stable performance of the PRC economy, the downside pressure increases due to the various conflicts and difficulties ahead. The PRC government will adhere to the strategy of maintaining stable growth, adjusting economic structure and pushing ahead reforms, so as to maintain sustainable and healthy economic development. Tapping on the opportunities arising from the structure adjustment, promotion of urbanization and accelerated development of the central and western regions, the Company will take proactive measures to adjust its industrial structure, optimize resources allocation and strengthen technology innovation, technology upgrade and new product R&D, while efforts will be made to exploit new market, reduce costs and increase efficiency, improve capital utilization, allocate funds reasonably and reduce financing costs, striving to reverse the decline trend in result performance.

The cement equipment and engineering services segment will continue to explore the international market, focusing on the hotspot markets in West Africa, Eastern Europe, Middle and South America and South Asia. The segment will strengthen cooperation with traditional major customers and increase follow-up efforts towards small and medium customers, making innovations in its marketing model. Focusing on the hotspot markets in China and actively exploring the market of energy conservation and environmental protection and technology reform for cement enterprises, the segment will increase the share of spare parts and post-service businesses, vigorously promoting the business of co-disposal of waste, sludge and urban garbage by cement kiln. The segment will enhance the equipment self-sufficient rate by further strengthening its efforts in the R&D of equipments, while accelerating the expansion of the equipment manufacturing business into the mining, metallurgical, chemical and power industries. The amount of new order intakes for the year is expected to exceed RMB30 billion.

In May 2013, National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT) jointly issued "Notice on Curbing the Blind Expansion of Industries with Serious Overcapacity", which will promote the development of cement industry. In the first half of the year, the fixed asset investments in the cement industry decreased by 9.45% as compared with the same period of last year. In July, the MIIT announced to eliminate 92.75 million tonnes of cement backward production capacities within the year, which will help to improve the supply-demand condition in the market. The segment will seize the opportunities brought to the industry by the state's efforts to accelerate the construction of new urbanization and the renovation of squatter settlements as well as the State Council's decision to further expedite railway construction in the central and western regions to vigorously increase its market share. Moreover, the segment will further optimize internal management and take initiatives to reduce production costs, so as to strengthen its core competitiveness. The segment aims to sell 80 million tonnes of cement and clinker during the year.

In light of the domestic and international economic environment and the market changes, the high-tech materials segment will adjust its product mix and sales strategies in a timely manner, with an aim to maintain its leading position in the wind power fan blade and composite high-pressure gas cylinder industries. Moreover, the segment will further optimize the production process and workflow of the solar-energy fused silica crucibles and other high-tech products and strengthen management, in an effort to enhance qualified product rate. The wind power fan blade business will continue to step up efforts in new product development and increase the proportion of production and sale of large-size fan blades, striving to improve the gross profit margin of the products. Tapping on the favourable market opportunities, the CNG cylinder business will speed up the establishment of sales channels and seek for more strategic partners. The glass fiber and products business will continue to reduce production costs and adjust products mix, in an effort to improve product competitiveness.

On behalf of the Board, I would like to express my heartfelt gratitude to all the Shareholders, investors and customers for your continuous support and thank the management and the staff of the Company for their dedication and hard work for the Group.

Liu Zhijiang
Chairman of the Board

Beijing, China
26 August 2013

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Company, being the largest cement equipment and engineering services provider in the world, as well as a leading producer of non-metal materials in China, is principally engaged in three business segments, namely cement equipment and engineering services, cement and high-tech materials.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Industry Review

During the reporting period, the global economy was undergoing mild recovery and deep correction with weak growth momentum. In the international cement equipment and engineering market, the investor confidence gradually recovered with some regional markets showing active performance, particularly the market performance of Southeast Asia, Middle East and Africa improved significantly. In regional markets, there were signals showed that leading international cement investors have turned from overall contraction to tentative expansion.

Being affected by factors such as slowdown in economic growth and excessive production capacity, the fixed asset investments in the cement industry witnessed an accelerated decline in the first half of the year, recording a decrease of 9.45% on a year-on-year basis. The dramatic decrease in cement construction projects led to more intensified competition. The intensified structural adjustment in the cement industry provided more opportunities for the Company's development in the field of energy conservation and environmental protection of the cement industry.

Business Review

Explosive growth in new overseas order intakes

In recent years, the Company has achieved outstanding results and demonstrated strong competitiveness in undertaking a number of international large EPC projects, which have earned us recognition and appreciation from the international cement industry. In the first half of the year, the cement equipment and engineering services segment made remarkable achievements in market development, and the amount of new order intakes reached RMB22.604 billion, representing an increase of 28.23% on a year-on-year basis. Among which, new order intakes from the overseas market amounted to RMB14.811 billion, increased by 106.48% as compared to that of the corresponding period of last year, which exceeded last year's total amount of new order intakes from the overseas market.

Strengthen contract performance capability to promote smooth implementation of the projects

During the reporting period, the Company further optimized project resource allocation, reduced project costs and constantly improved its risk control capabilities, to ensure the projects under construction to be completed as scheduled with top quality and high efficiency. Currently, the Company is executing more than 170 EPC projects and construction and installation projects, with an overall smooth performance. Among which, six EPC projects have received Provisional Acceptance Certificate (PAC) and seven EPC projects have received Final Acceptance Certificate (FAC), while a number of projects were successfully put into operation as schedule.

Accelerate implementation of diversification strategy to proactively explore new business

During the reporting period, the Company accelerated the implementation of diversification strategy and took active measures to deploy resources, in order to pave the way for diversification into new business and to facilitate the orderly development of all businesses. The Company entered into a number of EPC contracts in the fields of steelmaking manufacture and fly ash. The industrialization project of cement kiln disposal of urban garbage in Liyang run smoothly, yielding far-reaching social and market impacts and having a broad prospect of industrialization. Furthermore, the Company proactively pushed forward the diversification of the equipment manufacturing business into the mining in other fields. Currently, the Company has entered into several equipment manufacturing contracts in other industries, meanwhile seeking for brands, technologies, R&D and market resources of professional equipment manufacturing. The Company expedited the transformation from sole international EPC business into allocation of international resources. The smooth implementation of the relevant diversification strategy laid a solid foundation for the optimization of business structure and development of new growth points.

CEMENT

Industry Review

In the first half of 2013, China produced 1.096 billion tonnes of cement, representing a year-on-year increase of 9.7%. Though the growth of cement production exceeded expectation, the cement price remained at a relatively low level due to excessive production capacity. Due to the slowdown in economic growth and industry-wide overcapacity, the fixed asset investments in the cement industry decreased by 9.45% on a year-on-year basis in the first half of the year, with further decline in new cement production capacity.

During the reporting period, the central government continued to implement regulatory policies against industries with overcapacity, so as to curb new production capacity and step up efforts to eliminate backward production capacity. Besides, revisions were made to the environmental protection standards of the cement industry such as denitration, yielding more stringent requirements in the cement industry.

Business Review

Coping with industry overcapacity and enhancing marketing efforts to maintain stable growth in segment scale

In face of the unfavourable situation of oversupply in domestic cement industry and leveraging on our regional and brand strength, the Company stepped up efforts in marketing to increase its market share. During the reporting period, the sales of cement and clinker increased by 19% and 29% respectively on a year-on-year basis. While efforts were made to increase sales, the Company also expanded its production capacity to the right extent at the right timing through new construction and acquisition, with an aim to enhance control over the regional markets and the resources. The production capacity of cement and commercial concrete amounted to 104 million tonnes and 28.9 million cubic meters respectively in the first half of the year. At the same time, the segment continued to increase the installed capacity of waste-heat power generation projects to enhance energy utilization rate, with new installed capacity in the first half of the year amounting to 30MW. During the reporting period, the accumulated power generation reached 673.83 million kWh, reducing 604,800 tonnes of carbon dioxide emission. During the reporting period, the Company contracted denitration systems for ten clinker production lines, denitration systems for 22 clinker production lines have commenced operation as at 30 June 2013.

Optimizing internal management to further reduce production costs

In the first half of the year, the cement segment continued to strengthen operation management, conducted technology solution optimization and technology reform on production lines and enhanced benchmark comparison management, achieving satisfactory results. Due to the further improvements in the operation indicators of the production lines, the production costs decreased by 10%. The segment reduced procurement costs by adopting centralized procurement, and cut financing costs through expanding direct financing channels. Despite the overall sluggish cement market price, the segment achieved growth in the operating results as compared with the same period of last year through its continuous efforts to optimize cost control.

HIGH-TECH MATERIALS

Industry Review

During the reporting period, the operating environment of the high-tech materials industry remained challenging. The overcapacity in the wind power and polysilicon industries and the anti-dumping duties imposed by the European Union on China's PV products made the situation much worse for the PV industry, ripple-effects were also felt in the sales of solar-energy fused silica crucibles and other related products. At the executive meeting of the State Council held on 14 June, the government implemented six measures to support the development of the PV industry, which will be conducive to the healthy development of the industry. There was no sign of significant improvement in the wind power industry, the market conditions remained challenging with weak demand and declining prices. The production volume of raw yarns in the glass fiber industry in the PRC for the first half of the year amounted to 1.446 million tonnes, representing an increase of 2.45% on a year-on-year basis. The demand-to-supply in the industry kept balance and the price of some traditional products declined gradually. The CNG cylinder industry saw improvement in the market condition with increase both in the production and sales volume.

Business Review

Actively exploring the market to improve the production-to-sale ratio

During the reporting period, the Company enhanced market study and prediction and increased efforts in market expansion. By keeping abreast of update market information and enhancing cooperation with the sales department and the production department, the Company adjusted its product mix in a timely manner according to market demands. The production-to-sale ratio of most products was over 90%, while the production-to-sale ratio of the glass fiber products exceeded 100%.

Enhancing cost control to reduce costs and increase efficiency

During the reporting period, according to the characteristics of the high-tech products, the Company continued to optimize production processes and improve production techniques, so as to enhance productivity and efficiency. The Company also strived to reduce production costs by way of centralized bidding procurement, localization of imported materials and improvement of material utilization rate. During the reporting period, the unit production cost of solar-energy fused silica crucibles decreased by 23% on a year-on-year basis, while the gross profit margin of CNG cylinder showed a monthly upward trend. The gross profit margin of the wind power fan blade business basically remained stable despite the declining product prices.

FINANCIAL REVIEW

	Six months ended 30 June		
	2013	2012	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Turnover	**21,804.36**	20,403.69	6.86
Cost of sales	**(17,747.68)**	(16,825.90)	5.48
Gross profit	**4,056.68**	3,577.79	13.39
Other gains	**365.76**	345.19	5.96
Selling and marketing expenses	**(758.38)**	(663.93)	14.23
Administrative expenses	**(1,882.04)**	(1,674.85)	12.37
Exchange loss	**(40.87)**	(13.20)	209.62
Other expenses	**(22.72)**	(27.44)	(17.20)
Operating profit	**1,718.43**	1,543.56	11.33
Interest income	**88.47**	126.05	(29.81)
Finance costs	**(945.35)**	(899.27)	5.12
Share of results of associates	**(12.31)**	8.99	(236.93)
Share of results of joint ventures	**(10.44)**	(5.48)	90.51
Profit before tax	**838.80**	773.85	8.39
Income tax expense	**(264.09)**	(174.38)	51.45
Profit for the period	**574.71**	599.47	(4.13)
Profit for the period attributable to:			
Owners of the Company	**101.21**	165.32	(38.78)
Non-controlling interests	**473.50**	434.15	9.06

Operating Results

For the six months ended 30 June 2013, profit before tax of the Group was RMB838.80 million, representing an increase of 8.39% as compared with the corresponding period of last year. Profit attributable to owners of the Company was RMB101.21 million, representing a decrease of 38.78% as compared with the corresponding period of last year. Earnings per share of the Company was RMB0.03.

Management Discussion and Analysis

Consolidated Operating Results

The financial information for the segments presented below is before elimination of inter-segment transactions and before unallocated expenses.

Turnover

Turnover of the Group for the six months ended 30 June 2013 was RMB21,804.36 million, representing an increase of 6.86% as compared with RMB20,403.69 million in the corresponding period of last year. The increase was mainly due to the increase in the sales volume of the cement products as compared to the corresponding period of last year. In particular, the turnover of the cement equipment and engineering services segment decreased by RMB670.92 million and the cement segment increased by RMB1,362.10 million, while the turnover of the high-tech materials segment recorded an increase of RMB40.91 million.

Cost of sales

Cost of sales of the Group for the six months ended 30 June 2013 was RMB17,747.68 million, representing an increase of 5.48% as compared with RMB16,825.90 million in the corresponding period of last year. The increase was mainly due to the increase in sales volume of the cement products in the current period. In particular, the cost of sales of the cement equipment and engineering services segment decreased by RMB610.26 million, and the cement segment and the high-tech materials segment increased by RMB877.59 million and RMB42.33 million, respectively.

Gross profit and gross margin

Gross profit of the Group for the six months ended 30 June 2013 was RMB4,056.68 million, representing an increase of 13.39% as compared with RMB3,577.79 million in the corresponding period of last year. In particular, the gross profit of the cement equipment and engineering services segment decreased by RMB60.66 million, while the cement segment increased by 484.51 million and the high-tech materials segment decreased by RMB1.42 million. Gross margin increased by 1.06 percentage points from 17.54% in the corresponding period of last year to 18.60%.

Selling and marketing expenses

Selling and marketing expenses of the Group for the six months ended 30 June 2013 was RMB758.38 million, representing an increase of 14.23% as compared with RMB663.93 million in the corresponding period of last year. The increase was mainly due to the considerable increase in transportation and packaging costs as a result of the increased sale volume of cement products. In particular, the selling and marketing expenses of the cement equipment and engineering services segment decreased by RMB0.52 million, while the selling and marketing expenses of the cement segment and the high-tech materials segment recorded an increase of RMB92.43 million and RMB2.54 million, respectively.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2013 was RMB1,882.04 million, representing an increase of 12.37% as compared with RMB1,674.85 million in the corresponding period of last year. The increase was mainly due to the increase in operational expenses as the new production lines commenced operation and the increase in research and development expenditure. In particular, the administrative expenses of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB29.08 million, RMB183.95 million and RMB18.34 million, respectively.

Operating profit and operating profit margin

Operating profit of the Group for the six months ended 30 June 2013 was RMB1,718.43 million, representing an increase of 11.33% as compared with RMB1,543.56 million in the corresponding period of last year. Operating profit margin increased by 0.31 percentage points from 7.57% in the corresponding period of last year to 7.88%.

Finance costs

Finance costs of the Group for the six months ended 30 June 2013 was RMB945.35 million, representing an increase of 5.12% as compared with RMB899.27 million in the corresponding period of last year. The increase was mainly due to the increase of financing scale.

Share of results of associates

Share of results of associates of the Group for the six months ended 30 June 2013 was RMB-12.31 million, representing a decrease of 236.93% as compared with RMB8.99 million in the corresponding period of last year. The decrease was mainly due to the decrease of the results of some associates and the disposal of its certain equity interests in an associate during the period.

Share of results of joint ventures

Share of results of joint ventures of the Group for the six months ended 30 June 2013 was RMB-10.44 million, representing a decrease of 90.51% as compared with RMB-5.48 million in the corresponding period of last year. The decrease was mainly due to the increase in losses from joint ventures.

Income tax expense

Income tax expense of the Group for the six months ended 30 June 2013 was RMB264.09 million, representing an increase of 51.45% as compared with RMB174.38 million in the corresponding period of last year. The increase was mainly due to the significant growth in the operating results of some subsidiaries during the period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2013 was RMB101.21 million, representing a decrease of 38.78% as compared with RMB165.32 million in the corresponding period of last year. The decrease was mainly due to the significant decline in the profitability of the enterprises in which the Company held relatively high percentage of shares during the period.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the six months ended 30 June 2013 was RMB473.50 million, representing an increase of 9.06% as compared with RMB434.15 million in the corresponding period of last year.

Segment Results

The financial information for each segment presented below is before elimination of inter-segment transactions and before unallocated expenses.

Cement Equipment and Engineering Services

	Six months ended 30 June		
	2013 RMB million (Unaudited)	2012 RMB million (Unaudited) (Restated)	Change %
Turnover	**9,303.50**	9,974.42	(6.73)
Cost of sales	**7,918.94**	8,529.20	(7.15)
Gross profit	**1,384.56**	1,445.22	(4.20)
Selling and marketing expenses	**87.16**	87.68	(0.59)
Administrative expenses	**732.31**	703.23	4.14
Segment results	**612.48**	650.35	(5.82)

Turnover

Turnover of the cement equipment and engineering services segment for the six months ended 30 June 2013 was RMB9,303.50 million, representing a decrease of 6.73% as compared with RMB9,974.42 million in the corresponding period of last year. The decrease was due to the year-on-year decrease in the business of the trade and cement equipment and engineering services during the period.

Cost of sales

Cost of sales of the cement equipment and engineering services segment for the six months ended 30 June 2013 was RMB7,918.94 million, representing a decrease of 7.15% as compared with RMB8,529.20 million in the corresponding period of last year. The decrease was mainly due to the decrease in the business volume during the period.

Gross profit and gross margin

Gross profit of the cement equipment and engineering services segment for the six months ended 30 June 2013 was RMB1,384.56 million, representing a decrease of 4.20% as compared with RMB1,445.22 million in the corresponding period of last year. Gross margin increased by 0.39 percentage points from 14.49% in the corresponding period of last year to 14.88%. The increase was mainly due to the decrease in the trading business with a lower gross margin during the period.

Selling and marketing expenses

Selling and marketing expenses of the cement equipment and engineering services segment for the six months ended 30 June 2013 was RMB87.16 million, representing a decrease of 0.59% as compared with RMB87.68 million in the corresponding period of last year.

Administrative expenses

Administrative expenses of the cement equipment and engineering services segment for the six months ended 30 June 2013 was RMB732.31 million, representing an increase of 4.14% as compared with RMB703.23 million in the corresponding period of last year. The increase was mainly due to the increase in the guarantee charges for cement projects during the period.

Segment results

Based on the above, results of the cement equipment and engineering services segment for the six months ended 30 June 2013 was RMB612.48 million, representing a decrease of 5.82% as compared with RMB650.35 million in the corresponding period of last year.

Cement

	Six months ended 30 June		
	2013	2012	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Turnover	**10,321.90**	8,959.80	15.20
Cost of sales	**8,194.94**	7,317.35	11.99
Gross profit	**2,126.96**	1,642.45	29.50
Selling and marketing expenses	**531.68**	439.25	21.04
Administrative expenses	**816.94**	632.99	29.06
Segment results	**965.66**	745.66	29.50

Turnover

Turnover of the cement segment for the six months ended 30 June 2013 was RMB10,321.90 million, representing an increase of 15.20% as compared with RMB8,959.80 million in the corresponding period of last year. The increase was mainly due to the increase in sales volume resulting from the commencement of operation of newly built projects.

Cost of sales

Cost of sales of the cement segment for the six months ended 30 June 2013 was RMB8,194.94 million, representing an increase of 11.99% as compared with RMB7,317.35 million in the corresponding period of last year. The increase was mainly due to the increased sales of cement products during the period.

Gross profit and gross margin

Gross profit of the cement segment for the six months ended 30 June 2013 was RMB2,126.96 million, representing an increase of 29.50% as compared with RMB1,642.45 million in the corresponding period of last year. Gross margin of the cement segment increased by 2.28 percentage points from 18.33% in the corresponding period of last year to 20.61% for the six months ended 30 June 2013. The increase was mainly due to the decrease in energy consumption per tonne of the product and the decline in fuel price during the period.

Selling and marketing expenses

Selling and marketing expenses of the cement segment for the six months ended 30 June 2013 was RMB531.68 million, representing an increase of 21.04% as compared with RMB439.25 million in the corresponding period of last year. The increase was mainly due to the increase in packaging and transportation costs and so on as a result of the increased sales volume of cement products.

Administrative expenses

Administrative expenses of the cement segment for the six months ended 30 June 2013 was RMB816.94 million, representing an increase of 29.06% as compared with RMB632.99 million in the corresponding period of last year. The increase was mainly due to the increased production capacity of cement and the increase in operational expenses as the new production lines commenced operation.

Segment results

Based on the above, results of the cement segment for the six months ended 30 June 2013 was RMB965.66 million, representing an increase of 29.50% as compared with RMB745.66 million in the corresponding period of last year.

High-tech Materials

	Six months ended 30 June		
	2013	2012	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Turnover	**2,931.00**	2,890.09	1.42
Cost of sales	**2,341.65**	2,299.32	1.84
Gross profit	**589.35**	590.77	(0.24)
Selling and marketing expenses	**139.54**	137.00	1.85
Administrative expenses	**311.93**	293.59	6.25
Segment results	**210.36**	295.63	(28.84)

Turnover

Turnover of the high-tech materials segment for the six months ended 30 June 2013 was RMB2,931.00 million, representing an increase of 1.42% as compared with RMB2,890.09 million in the corresponding period of last year.

Cost of sales

Cost of sales of the high-tech materials segment for the six months ended 30 June 2013 was RMB2,341.65 million, representing an increase of 1.84% as compared with RMB2,299.32 million in the corresponding period of last year.

Gross profit and gross margin

Gross profit of the high-tech materials segment for the six months ended 30 June 2013 was RMB589.35 million, representing a decrease of 0.24% as compared with RMB590.77 million in the corresponding period of last year. Gross margin of the high-tech materials segment decreased by 0.33 percentage points from 20.44% in the corresponding period of last year to 20.11% for the six months ended 30 June 2013.

Selling and marketing expenses

Selling and marketing expenses of the high-tech materials segment for the six months ended 30 June 2013 was RMB139.54 million, representing an increase of 1.85% as compared with RMB137.00 million in the corresponding period of last year.

Administrative expenses

Administrative expenses of the high-tech materials segment for the six months ended 30 June 2013 was RMB311.93 million, representing an increase of 6.25% as compared with RMB293.59 million in the corresponding period of last year. The increase was mainly due to the increased investment in the research and development as compared with the corresponding period of last year.

Segment results

Based on the above, results of the high-tech materials segment for the six months ended 30 June 2013 was RMB210.36 million, representing a decrease of 28.84% as compared with RMB295.63 million in the corresponding period of last year. The decrease was mainly due to the decrease in government subsidies and increase in exchange loss.

Liquidity and Capital Resources

Cash flows:

	Six months ended 30 June	
	2013 **RMB million** **(Unaudited)**	2012 RMB million (Unaudited) (Restated)
Net cash from (used in) operating activities	**1,187.67**	(419.19)
Net cash used in investing activities	**(2,364.97)**	(2,135.19)
Net cash from financing activities	**2,401.26**	1,418.67
Cash and cash equivalents at the end of the period	**10,409.93**	9,077.58

Net cash from (used in) operating activities

Net cash from (used in) operating activities increased from RMB-419.19 million in the corresponding period of last year to RMB1,187.67 million for the six months ended 30 June 2013. The increase was mainly due to the increase in project payments received in advance.

Net cash used in investing activities

Net cash used in investing activities increased from RMB2,135.19 million in the corresponding period of last year to RMB2,364.97 million for the six months ended 30 June 2013. The increase was mainly due to the increase in cash paid for the investment in production lines and the acquisition of subsidiaries for the period.

Net cash from financing activities

Net cash generated from financing activities increased from RMB1,418.67 million in the corresponding period of last year to RMB2,401.26 million for the six months ended 30 June 2013. The increase was mainly due to the growth in financing scale.

Working Capital

As at 30 June 2013, the Group's cash and cash equivalents amounted to RMB10,409.93 million (31 December 2012: RMB9,214.52 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 30 June 2013 was 86.43% (31 December 2012: 88.13%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including current and non-current borrowings, short-term financing bills, medium-term notes and the bonds payable as shown in the consolidated statement of financial position) less restricted bank balances and bank balances and cash. As at 30 June 2013, the net debt ratio of the Group was 90.05% (31 December 2012: 80.75%).

With stable cash inflow from daily operating activities as well as existing unutilised bank credit facilities, the Group has sufficient resources for its future expansion.

Borrowings

As at 30 June 2013, the balance of the Group's borrowings amounted to RMB36,321.94 million.

	30 June 2013 RMB million (Unaudited)	31 December 2012 RMB million (Unaudited) (Restated)
Short-term borrowings and long-term borrowings due within one year	**16,291.66**	15,749.45
Short-term financing bills	**2,900.00**	400.00
Long-term borrowings, net of portions due within one year	**8,884.34**	9,280.60
Corporate bonds	**2,491.48**	2,490.24
Medium-term notes	**5,754.46**	5,253.61
Total borrowings	**36,321.94**	33,173.90

Pledge of Assets

The Group's property, plant and equipment, and prepaid lease payments with carrying values of RMB3,552.76 million and RMB271.47 million as at 30 June 2013 were pledged as security respectively (31 December 2012: RMB3,305.17 million and RMB170.38 million respectively).

Contingent Liabilities

	30 June 2013 RMB million (Unaudited)	31 December 2012 RMB million (Audited)
Outstanding guarantees	**30.00**	30.00
Total	**30.00**	30.00

Material Investment

During the reporting period, the Group did not make any material investment or have any plan for material investments or purchase of capital assets.

Material Acquisitions and Disposals of Assets

During the reporting period, the Group did not have any material acquisition or disposal of assets.

Market Risks

The Company is exposed to various types of market risks in the normal course of business, including contract risk, foreign exchange risk, interest rate risk and raw materials and energy price risk.

Contract Risks

The international business accounts for a larger proportion in the Company's cement equipment and engineering services businesses, with a long construction period. Furthermore, in respect of the overseas contracts, under the impacts of uncontrollable factors such as the global environment and political and economic conditions of the place of contract performance, certain projects may have the risks of being deferred, modified or terminated.

During the reporting period, the Company further enhanced the management of contract risks, standardized contract terms of new order intakes and improved the execution ability of contracts. In order to clear out the contracts at hand, the Company has carried out risk prevention plan. For the projects under construction, the Company enhanced assessment of the default in payment of project owners, paid close attention to the project owners' credit status, and conducted periodic settlement in time. For delay and suspension in the construction of the related projects, the Company actively communicated with the project owners to avoid losses. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign Exchange Risks

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

Interest Rate Risks

The Group raises borrowings to support general corporate purposes, including capital expenditures and working capital. The interest rate of the borrowings is subject to adjustment by its lenders in accordance with changes of the regulations of the People's Bank of China. Therefore, the Group assumes the risks arising from the fluctuations in the interest rate of the borrowings.

Raw Materials and Energy Price Risks

The Company mainly consumes raw materials and energy resources such as steel, coal, electricity and natural gas, the price fluctuation of which has a significant impact on the cost effectiveness of the Company.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee has reviewed the Company's interim report. The Company's external auditor has reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2013.

SHARE CAPITAL

The share capital structure of the Company as at 30 June 2013 was set out as follows:

Class of Shares	**Number of Shares**	**Approximate Percentage to the Total Issued Share Capital**
Domestic Shares	2,276,522,667	63.74%
Foreign shares		
Unlisted Foreign Shares	130,793,218	3.66%
H Shares	1,164,148,115	32.60%
Total	3,571,464,000	100%

DIVIDEND

The Company has not proposed to declare or distribute any interim dividend for the six months ended 30 June 2013.

UPDATES ON DIRECTORS' AND SUPERVISORS' INFORMATION

Sinoma Finance was incorporated in April 2013 and is owned as to 70% and 30% respectively, by the Parent and the Company. Ms. XU Weibing, the Chairman of the Supervisory Committee, was appointed as the chairman of the board of directors of Sinoma Finance, and Mr. YU Shiliang and Mr. LI Xinhua, Directors of the Company, were appointed as the directors of Sinoma Finance, meanwhile Mr. WANG Yingcai, a Supervisor of the Company, was appointed as the Chairman of the supervisory committee of Sinoma Finance and Mr. QU Xiaoli, a Supervisor of the Company, was appointed as a supervisor of Sinoma Finance.

Mr. LU Zhengfei, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Bank of China Limited since July 2013. Mr. LEUNG Chong Shun, an independent non-executive Director of the Company, ceased to be an independent non-executive director of China Metal Recycling (Holdings) Limited since 5 August 2013.

DISCLOSURE OF INTERESTS

Directors', Supervisors' and the Chief Executive's Interests and Short Positions in the Company's Shares, Underlying Shares and Debentures

As at 30 June 2013, Mr. ZHANG Hai, a non-executive Director of the Company, was interested in 42,000 shares of the Company. Save as disclosed above, no other Directors, Supervisors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the laws of Hong Kong), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register kept under such provisions, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2013, to the best knowledge of the Directors, Supervisors and the chief executive of the Company, the persons listed in the following table had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Type of Shares	Nature of interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total share capital
China National Materials Group Corporation Ltd.	Domestic Shares	N/A	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Co., Ltd.	Domestic Shares	N/A	319,788,108	14.05%	8.96%
Taian Taishan Investment Co., Ltd.	Domestic Shares	N/A	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Unlisted foreign shares	N/A	130,793,218	100.00%	3.66%
Lazard Asset Management LLC	H Shares	Long Position	107,484,964	9.23%	3.01%
The National Council for Social Security Fund	H Shares	Long Position	94,253,115	8.10%	2.64%

Note: The above information is based on the data provided in the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Save as disclosed above, to the best knowledge of the Directors, Supervisors and the chief executive of the Company, as at 30 June 2013, there was no other person having interests and/or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

EMPLOYEES AND REMUNERATION POLICY

The Company adopts position-based remuneration system for its employees, and their remuneration is determined by reference to factors of importance of their positions, responsibilities and performance. The detailed accrued payroll and welfare of the staff of the Group is set out in note 13 to the financial information. As at 30 June 2013, the Group had 58,685 employees. The Group actively encouraged the self-development of its staff and organized various staff training activities.

MATERIAL LEGAL MATTERS

Sinoma E&E, a wholly-owned subsidiary of Sinoma International (a subsidiary of the Company), filed civil actions to the court in respect of the disputes arising from the steel purchase & sale and warehousing contracts to protect its rights by laws.

Sinoma E&E filed civil actions to the court in respect of its contract disputes with Baotou Group and its five associate companies, and the court has accepted the actions. The total value of the subject matter of the actions is RMB477,068,140.57. Sinoma E&E submitted its application for property preservation to the court regarding the said actions and the court seized 539 sets of unsold properties of the associate companies of Baotou Group with a total area of 38,275.84 square meters and the land thereunder. The mediation agreements have now been reached between Sinoma E&E and Baotou Group and its five associate companies. Details of the case are set out in the announcements of the Company dated 22 January 2013 and 14 March 2013 on the websites of the Hong Kong Stock Exchange and the Company.

Sinoma E&E filed civil actions to the court in respect of its contract disputes with COSCO Supply Chain Management Co., Ltd. (中遠供應鏈管理有限公司) and Beijing CMST Logistics Co., Ltd. (北京中儲物流有限責任公司), and the court has accepted the actions. The values of the subject matter of the actions are RMB215,531,771.53 and RMB20.268 million respectively. Details of the cases are set out in the announcement of the Company dated 25 June 2013 on the websites of the Hong Kong Stock Exchange and the Company. Currently, the foresaid cases have not been officially trialed or are under trial. Therefore, the Company is not able to estimate the current and future impact of the events on the profit and loss of the Company. The Company will timely disclose information on the developments of the events pursuant to the relevant rules and regulations.

Save as aforesaid, there was no other material legal matter during the reporting period.

SUBSEQUENT EVENT

1. On 30 July 2013, the "Financial Services Framework Agreement", which was entered into by the Company and Sinoma Finance on 24 May 2013, was approved on the first extraordinary general meeting in 2013. Pursuant to the agreement, Sinoma Finance agreed to provide the deposit services, loan services and other financial services to the Group. For the three years ending 31 December 2015, the proposed annual caps for the transactions contemplated under the Financial Services Framework Agreement are set out below:

	For the year ending 31 December		
	2013	**2014**	**2015**
	RMB'000	RMB'000	RMB'000
Deposit Services (Maximum daily balance (including accrued interests))	3,100,000	3,800,000	4,900,000
Other Financial Services (services fees payable to Sinoma Finance)	100,000	200,000	250,000

Details are set out in the announcements of the Company dated 24 May 2013 and 30 July 2013 published on the websites of the Hong Kong Stock Exchange and the Company.

2. In August 2013, Sinoma E&E filed the civil legal action to the court in respect of its purchase and sales contract disputes against Shanghai Dingqi Trading Co,. Ltd. (上海鼎企商貿有限公司), Shanghai Huaji Steel Materials Co., Ltd. (上海華際鋼鐵物資有限公司) and Shanghai Xinmao Industrial Development Co., Ltd. (上海鑫貿實業發展有限公司) as debtors and Lin Qinhua, Fujian Jinlin Industrial Co., Ltd. (福建省錦霖實業有限公司), Shanghai Zhongtang Industrial Co. Ltd. (上海眾唐實業有限公司), Fujian Bangsheng Group Co. Ltd. (福建邦盛集團有限公司), Xu Qingzhuang, Li Shoulong, Wu Zhouguo and Lin Lizhen as guarantors (together as "Defendants") and the court has accepted the legal action. The value of subject matter of the legal action is RMB106,553,277.02.

   Sinoma E&E has submitted its application for the preservation of relevant properties of Defendants and the court seized relevant properties owned by several Defendants. Currently, the aforesaid case has not been trialed. The Board temporarily cannot estimate the current and future impact of the events on the profit and loss of the Company. The Company will continue to follow developments of the events and (if necessary) will further timely disclose relevant information.

   The detailed information of the event is set out in the announcement of the Company dated 14 August 2013 on the websites of the Company and the Hong Kong Stock Exchange.

3. On 19 August 2013, Sinoma Science & Technology and the Parent entered into an equity transfer agreement, pursuant to which Sinoma Science & Technology has agreed to acquire a 100% equity interest in Nanjing Fiberglass R&D Institute Co., Ltd. (南京玻璃纖維研究設計院有限公司) (the "NRDI") held by the Parent for a cash consideration of RMB186,107,000. Upon completion of the said equity transfer agreement, NRDI will become a wholly-owned subsidiary of Sinoma Science & Technology and an indirect subsidiary of the Company.

   Details are set out in the announcement of the Company dated 19 August 2013 published on the websites of the Hong Kong Stock Exchange and the Company.

During the reporting period, the Company established a standard and ideal corporate governance structure in strict compliance with laws and regulations including the PRC Company Law and Securities Law and the requirements of domestic and foreign regulatory bodies. The Company is committed to maintaining its corporate governance at a high standard to enhance the shareholders' value in the long run.

(1) IN COMPLIANCE WITH "CORPORATE GOVERNANCE CODE" AND "CORPORATE GOVERNANCE REPORT"

During the six months ended 30 June 2013, the Company has fully complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules.

(2) IN COMPLIANCE WITH "MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS"

The Company has adopted a set of model code prepared in accordance with the Model Code as set out in Appendix 10 of the Listing Rules. The provisions of the model code currently adopted by the Company are no less exacting than the required standards set out in the Model Code. The Company, having made specific enquiries of all the Directors and Supervisors, confirms that the Directors and Supervisors have strictly complied with the Model Code for the six months ended 30 June 2013.

(3) AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee is responsible for proposing to the Board regarding the appointment, reappointment and removal of external independent auditors, as well as monitoring their work. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. LU Zhengfei (the chairman of the Audit Committee, with professional qualification and experience in finance), Mr. WANG Shimin and Mr. YU Shiliang respectively. On 20 August 2013, the Audit Committee reviewed the interim financial report of the Company for the six months ended 30 June 2013 and voted for the same.

(4) CONNECTED TRANSACTIONS MANAGEMENT

In order to standardise and strengthen the management of connected transactions, the Company has established the "China National Materials Company Limited Connected Transactions Management System". The securities department of the office of the Board is responsible for the management of connected transactions. The Company has made sub-division as to the connected transaction caps that have already been disclosed, sub-divided each connected transaction to each subsidiary, and each subsidiary is responsible for the controlling of its sub-divided portion of connected transactions, in order to ensure that the Company's connected transactions are carried out based on rules and system, that is, the total amount of the transactions do not exceed the annual caps approved at the Board meeting or the general meeting. Pursuant to the provisions of the relevant system of the Company, the Company is required to comply with the reporting, announcements and independent shareholders' approval procedures (if applicable) under the Listing Rules before making any proposed new connected transaction.

Unaudited Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited) (Restated)
Turnover	4	**21,804,361**	20,403,689
Cost of sales		**(17,747,681)**	(16,825,903)
Gross profit		**4,056,680**	3,577,786
Interest income		**88,472**	126,050
Other gains		**365,760**	345,194
Selling and marketing expenses		**(758,384)**	(663,934)
Administrative expenses		**(1,882,042)**	(1,674,851)
Exchange loss		**(40,871)**	(13,185)
Other expenses		**(22,718)**	(27,442)
Finance costs	5	**(945,352)**	(899,269)
Share of results of associates		**(12,312)**	8,985
Share of results of joint ventures		**(10,436)**	(5,484)
Profit before tax		**838,797**	773,850
Income tax expense	6	**(264,085)**	(174,381)
Profit for the period	7	**574,712**	599,469
Profit for the period attributable to:			
Owners of the Company		**101,212**	165,316
Non-controlling interests		**473,500**	434,153
		574,712	599,469
Earnings per share – basic and diluted (expressed in RMB per share)	9	**0.028**	0.046

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**574,712**	599,469
Other comprehensive (expenses) income		
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit obligations	**(7,409)**	(8,370)
Income tax relating to actuarial loss on defined benefit obligations	**1,104**	1,168
	(6,305)	(7,202)
Items that may be subsequently reclassified to profit or loss:		
Safety fund set aside	**68,082**	31,663
Utilisation of safety fund	**(36,922)**	(22,643)
Exchange differences arising on translation	**(26,568)**	(12,126)
Loss on fair value changes of available-for-sale financial assets	**(803,383)**	(412,199)
Income tax relating to items that may be reclassified to profit or loss	**194,689**	103,825
Other comprehensive expenses for the period (net of tax)	**(610,407)**	(318,682)
Total comprehensive (expenses) income for the period	**(35,695)**	280,787
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(472,499)**	(151,346)
Non-controlling interests	**436,804**	432,133
	(35,695)	280,787

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited) (Restated)	1 January 2012 RMB'000 (Unaudited) (Restated)
Non-current assets				
Property, plant and equipment	10	**43,209,103**	41,233,473	34,156,797
Prepaid lease payments	10	**3,453,174**	3,431,436	3,153,457
Investment properties	10	**177,497**	173,315	184,564
Intangible assets	10	**953,124**	738,371	501,651
Mining rights	10	**472,250**	483,087	477,166
Interests in associates		**1,177,398**	1,393,906	1,266,810
Interests in joint ventures		**152,060**	162,496	174,970
Available-for-sale financial assets		**1,521,281**	2,288,320	2,351,946
Deposits paid for acquisition of subsidiaries	11	**138,000**	–	101,400
Trade and other receivables	12	**85,471**	84,132	75,846
Other non-current assets		**319,941**	252,768	237,982
Deferred income tax assets		**720,064**	704,621	594,347
		52,379,363	50,945,925	43,276,936
Current assets				
Inventories		**9,656,876**	8,379,978	8,117,075
Trade and other receivables	12	**20,306,903**	16,642,409	15,648,021
Amounts due from customers for contract work		**716,048**	562,674	341,073
Prepaid lease payments	10	**141,437**	119,028	100,548
Derivative financial instruments		**7,465**	4,708	3,165
Other current assets		**19,049**	69,553	35,180
Restricted bank balances		**1,759,659**	1,969,306	1,919,043
Bank balances and cash		**10,409,930**	9,214,523	10,226,207
		43,017,367	36,962,179	36,390,312
Assets classified as held for sale		**–**	–	117,426
		43,017,367	36,962,179	36,507,738
Current liabilities				
Trade and other payables	13	**29,736,697**	24,959,314	22,745,606
Dividend payable		**113,388**	7,936	2,498
Amounts due to customers for contract work		**383,180**	292,648	131,295
Derivative financial instruments		**1,190**	657	138
Income tax liabilities		**273,292**	433,022	604,884
Short-term financing bills	14	**2,900,000**	400,000	800,000
Borrowings	15	**16,291,662**	15,749,447	13,466,246
Early retirement and supplemental benefit obligations	16	**24,738**	49,099	44,525
Provisions		**47,645**	48,724	41,398
		49,771,792	41,940,847	37,836,590
Liabilities classified as held for sale		**–**	–	12,038
		49,771,792	41,940,847	37,848,628
Net current liabilities		**(6,754,425)**	(4,978,668)	(1,340,890)
Total assets less current liabilities		**45,624,938**	45,967,257	41,936,046

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited) (Restated)	1 January 2012 RMB'000 (Unaudited) (Restated)
Non-current liabilities				
Trade and other payables	13	**4,771**	4,645	4,120
Derivative financial instruments		**–**	–	775
Corporate bonds	18	**2,491,482**	2,490,239	2,487,829
Medium-term notes	19	**5,754,460**	5,253,610	4,352,670
Borrowings	15	**8,884,336**	9,280,599	9,641,003
Provisions		**43,097**	44,788	44,874
Deferred income		**824,080**	688,903	446,482
Early retirement and supplemental benefit obligations	16	**312,498**	282,767	297,813
Deferred income tax liabilities		**490,481**	689,125	699,246
		18,805,205	18,734,676	17,974,812
NET ASSETS		**26,819,733**	27,232,581	23,961,234
Capital and reserves				
Share capital	20	**3,571,464**	3,571,464	3,571,464
Reserves		**7,054,198**	7,843,748	7,582,635
Equity attributable to owners of the Company		**10,625,662**	11,415,212	11,154,099
Non-controlling interests		**16,194,071**	15,817,369	12,807,135
TOTAL EQUITY		**26,819,733**	27,232,581	23,961,234

Unaudited 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 reserve RMB'000	Statutory surplus reserve RMB'000	Safety Fund RMB'000 (Note (i))	Foreign exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserves RMB'000 (Note (ii))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2013 (Unaudited)												
At 1 January 2013, as originally stated	3,571,464	3,273,160	(1,074,972)	121,630	114,381	(18,186)	1,205,026	177,034	3,890,236	11,259,773	15,815,233	27,075,006
Effect of changes in accounting policy	-	-	-	-	-	(6,834)	-	(112,025)	125,067	6,208	(318)	5,890
Effect of adopting merger accounting for common control combination	-	-	106,504	-	-	-	-	82,569	(39,842)	149,231	2,454	151,685
At 1 January 2013, as restated	3,571,464	3,273,160	(968,468)	121,630	114,381	(25,020)	1,205,026	147,578	3,975,461	11,415,212	15,817,369	27,232,581
Profit for the period	-	-	-	-	-	-	-	-	101,212	101,212	473,500	574,712
Other comprehensive income (expenses) for the period:												
Items that will not be reclassified to profit or loss:												
Actuarial gain (loss) on defined benefit	-	-	-	-	-	-	-	(7,659)	-	(7,659)	250	(7,409)
Obligations Income tax relating to actuarial gain (loss) on defined benefit obligations	-	-	-	-	-	-	-	1,069	-	1,069	35	1,104
Items that may be subsequently reclassified to profit or loss:												
Safety fund set aside	-	-	-	-	40,854	-	-	-	-	40,854	27,228	68,082
Utilisation of safety fund	-	-	-	-	(21,522)	-	-	-	-	(21,522)	(15,400)	(36,922)
Exchange differences arising on translation	-	-	-	-	-	(11,541)	-	-	-	(11,541)	(15,027)	(26,568)
Loss on fair value changes of available-for-sale financial assets	-	-	-	-	-	-	(763,638)	-	-	(763,638)	(39,745)	(803,383)
Income tax relating to items that may be subsequently reclassified to profit or loss	-	-	-	-	-	-	188,726	-	-	188,726	5,963	194,689
Total comprehensive income (expenses) for the period	-	-	-	-	19,332	(11,541)	(574,912)	(6,590)	101,212	(472,499)	436,804	(35,695)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(255,535)	(255,535)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	177,518	177,518
Transactions with non-controlling interests	-	-	-	-	-	-	-	104,385	-	104,385	17,915	122,300
Government contribution	-	-	-	-	-	-	-	15,170	-	15,170	-	15,170
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(107,144)	(107,144)	-	(107,144)
Merger reserves arising from common control combination	-	-	(329,462)	-	-	-	-	-	-	(329,462)	-	(329,462)
At 30 June 2013	3,571,464	3,273,160	(1,297,930)	121,630	133,713	(36,561)	630,114	260,543	3,969,529	10,625,662	16,194,071	26,819,733

Unaudited 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 reserve RMB'000	Statutory surplus reserve RMB'000	Safety Fund RMB'000 (Note (i))	Foreign exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserves RMB'000 (Note (ii))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2012 (Unaudited)												
At 1 January 2012, as originally stated	3,571,464	3,273,160	(876,924)	75,828	86,666	(12,523)	1,255,685	(71,828)	3,676,477	10,978,005	12,805,054	23,783,059
Effect of changes in accounting policy	–	–	–	–	–	(4,976)	–	(107,129)	118,437	6,332	(233)	6,099
Effect of adopting merger accounting for common control combination	–	–	106,504	–	–	–	–	82,569	(19,311)	169,762	2,314	172,076
At 1 January 2012, as restated	3,571,464	3,273,160	(770,420)	75,828	86,666	(17,499)	1,255,685	(96,388)	3,775,603	11,154,099	12,807,135	23,961,234
Profit for the period	–	–	–	–	–	–	–	–	165,316	165,316	434,153	599,469
Other comprehensive income (expenses) for the period:												
Items that will not be reclassified to profit or loss:												
Actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	(7,250)	–	(7,250)	(1,120)	(8,370)
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	1,068	–	1,068	100	1,168
Items that may be subsequently reclassified to profit or loss:												
Safety fund set aside	–	–	–	–	25,676	–	–	–	–	25,676	5,987	31,663
Utilisation of safety fund	–	–	–	–	(18,361)	–	–	–	–	(18,361)	(4,282)	(22,643)
Exchange differences arising on translation	–	–	–	–	–	(5,164)	–	–	–	(5,164)	(6,962)	(12,126)
(Loss) gain on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	(417,208)	–	–	(417,208)	5,009	(412,199)
Income tax relating to items that may be subsequently reclassified to profit or loss	–	–	–	–	–	–	104,577	–	–	104,577	(752)	103,825
Total comprehensive income (expenses) for the period	–	–	–	–	7,315	(5,164)	(312,631)	(6,182)	165,316	(151,346)	432,133	280,787
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(673,842)	(673,842)
Contributions received from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,623,425	1,623,425
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	105,235	105,235
Transactions with non-controlling interests	–	–	–	–	–	–	–	168,914	–	168,914	(92,733)	76,181
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(214,288)	(214,288)	–	(214,288)
Merger reserves arising from common control combination	–	–	(198,048)	–	–	–	–	–	–	(198,048)	–	(198,048)
At 30 June 2012	3,571,464	3,273,160	(968,468)	75,828	93,981	(22,663)	943,054	66,344	3,726,631	10,759,331	14,201,353	24,960,684

Notes:

(i) Pursuant to certain regulations issued by the State Administration of Work Safety of the People's Republic of China (the "PRC"), the Group is required to set aside an amount to a safety fund. The fund can be used for improvements of safety at the mines and construction sites, and is not available for distribution to owners.

(ii) Other reserves mainly comprise of reserves arising from transactions with the non-controlling interests, deemed contributions from owners of the Company, government contributions and effect of changes in accounting standard of early retirement and supplemental benefit obligations.

Unaudited 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)
		(Restated)
OPERATING ACTIVITIES		
Cash generated from operations	**1,645,593**	170,920
Income tax paid	**(457,926)**	(590,109)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**1,187,667**	(419,189)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,233,079)**	(1,988,460)
Purchase of prepaid lease payments	**(77,044)**	(79,806)
Purchase of investment properties	**(9,000)**	–
Purchase of intangible assets	**(95,925)**	(53,976)
Purchase of mining rights	**(7,408)**	(42,227)
Purchase of available-for-sale financial assets	**(11,307)**	–
Net cash outflow arising on acquisition of subsidiaries	**(168,379)**	(269,868)
Proceeds from disposals of property, plant and equipment	**246,962**	19,584
Proceeds from disposal of prepaid lease payments	**3,500**	45,423
Proceeds from disposal of intangible assets	**–**	9,138
Proceeds from disposal of mining rights	**–**	34,233
Proceeds from disposal of available-for-sale financial assets	**2,090**	–
Proceeds from disposals of associates	**54,492**	–
Net cash inflow arising on disposal of subsidiaries	**–**	5,385
Dividends received from available-for-sale financial assets	**1,479**	344
Dividends received from associates	**60,000**	–
Decrease in restricted bank balances	**209,647**	187,450
Interest received on bank deposits and loan receivables	**88,970**	125,918
Decrease in loan receivables	**37,497**	69,717
Deposits paid for acquisition of subsidiaries	**(138,000)**	–
Payments for common control business combinations	**(329,462)**	(198,048)
NET CASH USED IN INVESTING ACTIVITIES	**(2,364,967)**	(2,135,193)

Unaudited 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)
		(Restated)
FINANCING ACTIVITIES		
Proceeds from new borrowings	**10,144,072**	8,863,581
Gross proceeds from issuance of medium-term notes	**500,000**	–
Gross proceeds from issuance of short-term financing bills	**2,500,000**	–
Repayment of short-term financing bills	**–**	(400,000)
Contributions received from non-controlling interests	**–**	1,727,177
Government grants received	**487,452**	170,901
Government contributions	**5,860**	9,310
Repayments of borrowings	**(10,177,130)**	(7,517,800)
Received for disposal of equity interest in subsidiaries	**122,300**	–
Dividends paid to non-controlling interests	**(219,052)**	(525,352)
Dividends paid	**(1,692)**	(7,214)
Interest paid	**(960,552)**	(901,938)
NET CASH FROM FINANCING ACTIVITIES	**2,401,258**	1,418,665
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,223,958**	(1,135,717)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**9,214,523**	10,226,207
Effect of foreign exchange rate changes	**(28,551)**	(12,914)
	10,409,930	9,077,576
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by:		
Bank balances and cash	**10,409,930**	9,071,324
Bank balances and cash included as assets classified as held for sale	**–**	6,252
	10,409,930	9,077,576

Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2013

1. GENERAL INFORMATION

China National Materials Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 31 July 2007 as a joint stock company with limited liability under the Company Law of the PRC. Its immediate holding company is China National Materials Group Corporation Ltd. ("Sinoma Group"). The directors of the Company regard the ultimate holding party as at 30 June 2013 to be Chinese State Owned Assets Supervision and Administration Commission of the State Council. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 20 December 2007.

The address of the registered office and the principal place of business of the Company is at No. 11, Beishuncheng Street, Xizhimennei, Xicheng District, Beijing, the PRC.

The unaudited condensed consolidated financial information are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in provision of cement equipment and engineering services, production and sales of cement and high-tech materials.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

The unaudited condensed consolidated financial information have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB6,754,425,000 as at 30 June 2013.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the twelve months from 30 June 2013 by taking into consideration the following:

- At 30 June 2013, the Group has undrawn borrowings facilities available for immediate use and will not be expiring in the next twelve months from 30 June 2013 of approximately RMB8,680,920,000.

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

2.1 Basis of preparation (Continued)

The Group has undrawn banking facilities will provide a cash inflow with a view to improve its working capital position, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2013. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these unaudited condensed consolidated financial information on a going concern basis. The unaudited condensed consolidated financial information do not include any necessary adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

These unaudited condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

2.2 Adoption of merger accounting

As disclosed in note 23, several business combinations under common control were effected during the current period. The unaudited condensed consolidated financial information incorporates the financial information of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The unaudited condensed consolidated statement profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the unaudited condensed consolidated financial information are represented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter. The impact on the consolidated reserves of the Group arising from the common control combination is disclosed in note 23 of this unaudited condensed consolidated financial information.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies adopted in the preparation of the unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Amendments to HKAS 1 (revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs (revised)	Annual Improvements to HKFRS 2009 – 2011 Cycle
Amendments to HKFRS 1 (revised)	Government Loans
Amendments to HKFRS 7 (revised)	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 (revised)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint agreements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of the application of HKFRS 11 (Continued)

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in PPG Sinoma Jinjing Fiber Glass Co., Ltd., PPG Sinoma Zibo Jinjing Fiber Glass Co., Ltd. and Dongguan Taiguang Fiberglass Ltd. (the "Jointly Controlled Entities of the Group"), which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method. The change in accounting of the Group's investment in the Jointly Controlled Entities of the Group have been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investment in the Jointly Controlled Entities of the Group.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 27.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 19 Employee Benefits (as revised in 2011)

In the current interim period, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the tables below for details).

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The effects of changes in accounting policies described above on the results for the current and prior periods by line items are as follows:

		Effect of the adoption of		
	As previously stated	**HKFRS 11 and HKAS 28 (revised)**	**HKAS 19 (2011)**	**After the changes of accounting policies**
	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2012:				
Turnover	20,477,680	(99,881)	–	20,377,799
Cost of sales	(16,889,979)	82,498	–	(16,807,481)
Gross profit	3,587,701	(17,383)	–	3,570,318
Interest income	125,918	–	–	125,918
Other gains	335,995	(380)	–	335,615
Selling and marketing expenses	(669,613)	7,266	–	(662,347)
Administrative expenses	(1,654,481)	12,419	(10,976)	(1,653,038)
Exchange loss	(13,185)	–	–	(13,185)
Other expenses	(23,218)	4	–	(23,214)
Finance costs	(904,363)	5,122	–	(899,241)
Share of results of associates	8,985	–	–	8,985
Share of results of joint ventures	–	(5,484)	–	(5,484)
Profit before tax	793,739	1,564	(10,976)	784,327
Income tax expense	(175,912)	(817)	2,770	(173,959)
Profit for the period	617,827	747	(8,206)	610,368
Profit for the period attributable to:				
Owners of the Company	181,984	748	(7,054)	175,678
Non-controlling interests	435,843	(1)	(1,152)	434,690
	617,827	747	(8,206)	610,368
Earnings per share	0.051	–	(0.002)	0.049

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

		Effect of the adoption of		
	As previously stated	HKFRS 11 and HKAS 28 (revised)	HKAS 19 (2011)	After the changes of accounting policies
	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2012:				
Profit for the period	617,827	747	(8,206)	610,368
Other comprehensive (expenses) income				
Items that will not be reclassified to profit or loss:				
Actuarial loss on defined benefit obligations	–	–	(8,370)	(8,370)
Income tax relating to actuarial loss on defined benefit obligations	–	–	1,168	1,168
	–	–	(7,202)	(7,202)
Items that may be subsequently reclassified to profit or loss:				
Safety fund set aside	31,663	–	–	31,663
Utilisation of safety fund	(22,643)	–	–	(22,643)
Exchange differences arising on translation	(12,543)	417	–	(12,126)
Loss on fair value changes of available-for-sale financial assets	(412,199)	–	–	(412,199)
Income tax relating to items that may be reclassified to profit or loss	103,825	–	–	103,825
Other comprehensive (expenses) income for the period (net of tax)	(311,897)	417	(7,202)	(318,682)
Total comprehensive income (expenses) for the period	305,930	1,164	(15,408)	291,686
Total comprehensive income (expenses) attributable to:				
Owners of the Company	(128,911)	1,164	(13,236)	(140,983)
Non-controlling interests	434,841	–	(2,172)	432,669
	305,930	1,164	(15,408)	291,686

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

	As previously stated RMB'000	Effect of the adoption of HKFRS 11 and HKAS 28 (revised) RMB'000	Effect of the adoption of HKAS 19 (2011) RMB'000	After the changes of accounting policies RMB'000
Condensed consolidated statement of financial position as at 31 December 2012:				
Non-current assets	50,856,467	(39,622)	(417)	50,816,428
Current assets	36,987,950	(105,210)	–	36,882,740
Total assets	87,844,417	(144,832)	(417)	87,699,168
Current liabilities	42,042,912	(148,272)	(15)	41,894,625
Non-current liabilities	18,726,499	(380)	(2,472)	18,723,647
Total liabilities	60,769,411	(148,652)	(2,487)	60,618,272
NET ASSETS	27,075,006	3,820	2,070	27,080,896
Capital and reserves				
Share capital	3,571,464	–	–	3,571,464
Reserves	7,688,309	3,852	2,356	7,694,517
Equity attributable to owners of the Company	11,259,773	3,852	2,356	11,265,981
Non-controlling interests	15,815,233	(32)	(286)	15,814,915
TOTAL EQUITY	27,075,006	3,820	2,070	27,080,896

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the nature of business for the goods supplied and services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

4. SEGMENT INFORMATION (Continued)

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments are as follows:

Cement equipment and engineering services	Provision of engineering equipment and engineering services for new dry process cement production lines, mining projects and equipment manufacturing
Cement	Production and sales of cement and clinker
High-tech materials	Production and sales of glass fiber, glass fiber products, specialty fiber, fiber reinforcement composite materials and standard sand; equipment and engineering services for glass fiber production, non-metal mineral fine processing and advance ceramics

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

Six months ended 30 June 2013

	Cement equipment and engineering services RMB'000 (Unaudited)	Cement RMB'000 (Unaudited)	High-tech materials RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE					
External sales	8,596,472	10,296,146	2,911,743	–	21,804,361
Inter-segment sales	707,030	25,758	19,256	(752,044)	–
Total	9,303,502	10,321,904	2,930,999	(752,044)	21,804,361
Segment results	612,478	965,660	210,362	(44,191)	1,744,309
Unallocated operating income and expenses					(25,884)
Interest income					88,472
Finance costs					(945,352)
Share of results of associates					(12,312)
Share of results of joint ventures					(10,436)
Profit before tax					838,797

4. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

Six months ended 30 June 2012

	Cement equipment and engineering services RMB'000 (Unaudited) (Restated)	Cement RMB'000 (Unaudited) (Restated)	High-tech materials RMB'000 (Unaudited) (Restated)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited) (Restated)
REVENUE					
External sales	8,634,812	8,946,772	2,822,105	–	20,403,689
Inter-segment sales	1,339,611	13,028	67,984	(1,420,623)	–
Total	9,974,423	8,959,800	2,890,089	(1,420,623)	20,403,689
Segment results	650,352	745,658	295,634	(106,680)	1,584,964
Unallocated operating income and expenses					(41,396)
Interest income					126,050
Finance costs					(899,269)
Share of results of associates					8,985
Share of results of joint ventures					(5,484)
Profit before tax					773,850

Segment results represent the profit earned by each segment without allocation of directors' remuneration, interest income, certain other gains, finance costs, share of results of associates, share of results of joint ventures and other administrative expenses of head office. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

4. SEGMENT INFORMATION (Continued)

(b) Segment assets

The following is an analysis of the Group's assets by reportable segment:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited) (Restated)	1 January 2012 RMB'000 (Unaudited) (Restated)
Cement equipment and engineering services	**19,523,469**	16,498,973	15,072,289
Cement	**46,347,774**	42,689,477	36,364,793
High-tech materials	**15,774,239**	14,508,801	12,480,578
Total segment assets	**81,645,482**	73,697,251	63,917,660
Eliminations	**(2,522,089)**	(2,848,047)	(1,305,547)
Unallocated assets	**16,273,337**	17,058,900	17,172,561
Consolidated assets	**95,396,730**	87,908,104	79,784,674

For the purpose of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segment other than interests in associates, interests in joint ventures, available-for-sale financial assets, deferred income tax assets, derivative financial instruments, restricted bank balances, bank balances and cash, assets classified as held for sale and certain unallocated head office assets.

4. SEGMENT INFORMATION (Continued)

(c) Other segment information

Six months ended 30 June 2013

	Cement equipment and engineering services RMB'000 (Unaudited)	Cement RMB'000 (Unaudited)	High-tech materials RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Amounts included in the measure of segment results:					
Depreciation	**111,147**	**941,605**	**286,777**	**304**	**1,339,833**
Amortisation	**7,502**	**44,682**	**13,965**	**4**	**66,153**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:					
Share of results of associates	**300**	**(12,173)**	**(424)**	**(15)**	**(12,312)**
Share of results of joint ventures	**–**	**–**	**(10,436)**	**–**	**(10,436)**

Six months ended 30 June 2012

	Cement equipment and engineering services RMB'000 (Unaudited) (Restated)	Cement RMB'000 (Unaudited)	High-tech materials RMB'000 (Unaudited) (Restated)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited) (Restated)
Amounts included in the measure of segment results:					
Depreciation	162,845	872,192	265,721	187	1,300,945
Amortisation	6,456	50,269	13,011	12	69,748
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:					
Share of results of associates	4,844	5,934	(1,793)	–	8,985
Share of results of joint ventures	–	–	(5,484)	–	(5,484)

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest expenses	**957,360**	911,431
Less: Amounts capitalised as construction-in-progress	**(16,443)**	(12,643)
	940,917	898,788
Net foreign exchange gains on bank borrowings	**(1,983)**	(370)
Discount charges on bank acceptance notes	**6,418**	851
Total finance costs	**945,352**	899,269

6. INCOME TAX EXPENSE

The Group has no operations in Hong Kong and is therefore not subject to the Hong Kong Profits Tax for both reporting periods.

Certain of the companies now comprising the Group are subject to the PRC enterprise income tax, which has been provided for based on the statutory income tax rates of 25% (2012: 25%) on the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries which are exempted from tax or taxed at preferential rates of 15% (2012: 15%).

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

6. INCOME TAX EXPENSE (Continued)

The amount of income tax expense charged to the unaudited condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax:		
– PRC enterprise income tax	**265,009**	211,111
– Overseas taxation	**2,127**	920
– Underprovision in previous years	**–**	(160)
	267,136	211,871
Deferred income tax	**(3,051)**	(37,490)
	264,085	174,381

7. PROFIT FOR THE PERIOD

The Group's profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Depreciation and amortisation		
– property, plant and equipment	**1,335,015**	1,296,708
– prepaid lease payments	**36,236**	38,357
– investment properties	**4,818**	4,237
– intangible assets	**11,672**	11,825
– mining rights	**18,245**	19,566
Impairment loss recognised in respect of trade and other receivables	**100,959**	74,879
Impairment loss recognised in respect of property, plant and equipment	**–**	11,941
Impairment loss recognised in respect of intangible assets	**–**	601
Allowance for inventories (included in cost of sales)	**2,587**	22,017
Reversal of allowance for inventories (included in cost of sales)	**(17,496)**	(23,283)
Donations	**8,293**	7,760
Net gain on disposals of property, plant and equipment	**(6,618)**	(8,684)
Net gain on disposal of prepaid lease payment	**(1,698)**	–
Net loss arising from interest rate swap contracts	**–**	3,246
Dividend income from available-for-sale financial assets	**(1,479)**	(344)
Waiver of other payables	**(26,085)**	(13,973)
Government grants	**(209,038)**	(208,305)

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
2012 final dividend of RMB0.03 per share recognised as distribution during the reporting period (2012: 2011 final dividend of RMB0.06 per share)	**107,144**	214,288

No interim dividend was paid, declared or proposed during the six months ended 30 June 2013, nor has any dividend been proposed since the end of the interim reporting period (2012: Nil).

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the six months ended 30 June 2013 and 2012.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period attributable to owners of the Company (RMB'000)	**101,212**	165,316
Weighted average number of ordinary shares in issue ('000)	**3,571,464**	3,571,464
Basic earnings per share (RMB)	**0.028**	0.046

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods ended 30 June 2013 and 2012.

10. CAPITAL EXPENDITURE

The movements of property, plant and equipment, prepaid lease payments, investment properties, intangible assets and mining rights are as follows:

	Property, plant and equipment RMB'000	Prepaid lease payments RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Mining rights RMB'000	Total RMB'000
Six months ended 30 June 2013 (Unaudited)						
Carrying values at 1 January 2013, as originally stated	41,293,265	3,541,598	173,315	766,989	483,087	46,258,254
Effect of the change in accounting policy	(170,665)	–	–	(28,618)	–	(199,283)
Effect of adopting merger accounting for common control combination	110,873	8,866	–	–	–	119,739
Carrying values at 1 January 2013 (unaudited and restated)	41,233,473	3,550,464	173,315	738,371	483,087	46,178,710
Additions	3,218,748	77,044	9,000	95,925	7,408	3,408,125
Attributable to acquisition of subsidiaries	332,241	5,141	–	130,500	–	467,882
Disposals	(240,344)	(1,802)	–	–	–	(242,146)
Depreciation and amortisation charged for the period	(1,335,015)	(36,236)	(4,818)	(11,672)	(18,245)	(1,405,986)
Carrying values at 30 June 2013	43,209,103	3,594,611	177,497	953,124	472,250	48,406,585

10. CAPITAL EXPENDITURE (Continued)

	Property, plant and equipment RMB'000	Prepaid lease payments RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Mining rights RMB'000	Total RMB'000
Six months ended 30 June 2012 (Unaudited and restated)						
Carrying values at 1 January 2012, as originally stated	34,223,827	3,244,982	184,564	531,809	477,166	38,662,348
Effect of the change in accounting policy	(183,091)	–	–	(30,158)	–	(213,249)
Effect of adopting merger accounting for common control combination	116,061	9,023	–	–	–	125,084
Carrying values at 1 January 2012 (unaudited and restated)	34,156,797	3,254,005	184,564	501,651	477,166	38,574,183
Additions	3,691,123	79,806	–	53,976	42,227	3,867,132
Attributable to acquisition of subsidiaries	572,206	57,882	–	145,634	15,524	791,246
Disposals	(10,900)	(45,423)	–	(9,138)	(34,233)	(99,694)
Eliminated on disposal of a subsidiary	(21,514)	–	–	–	–	(21,514)
Depreciation and amortisation charged for the period	(1,296,708)	(38,357)	(4,237)	(11,825)	(19,566)	(1,370,693)
Impairment loss recognised in the unaudited condensed consolidated statement of profit or loss	(11,941)	–	–	(601)	–	(12,542)
Carrying values at 30 June 2012	37,079,063	3,307,913	180,327	679,697	481,118	41,728,118

11. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

Balance as at 30 June 2013 of RMB138,000,000 represents non-refundable deposits of the following acquisitions:

(i) RMB3,000,000 paid by Suzhou Concrete and Cement Product Research Institute ("SCRI") and Sinoma Cement Anhui Company Limited ("Sinoma Anhui") for the acquisition of 100% equity interests in Hefei Changrong Commercial Concrete Company Limited ("Hefei Changrong") pursuant to a framework agreement signed on 9 April 2013. The consideration is approximately RMB14,206,000. The acquisition has not been completed as of the date of these unaudited condensed consolidated financial information; and

(ii) RMB135,000,000 paid by Ningxia Building Materials Group Company Limited ("Ningxia Building Materials") for acquisition of 55% equity interests in Wuhai City Xishui Cement Company Limited ("Wuhai City Xishui") pursuant to framework agreement signed on 21 June 2013. The consideration is approximately RMB264,110,000. The above acquisition was completed on 1 July 2013. Details of the acquisitions are set out in note 30 (i).

12. TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited) (Restated)	1 January 2012 RMB'000 (Unaudited) (Restated)
Trade receivables and retentions			
Trade and bills receivables	**13,459,837**	11,321,534	9,233,219
Retentions	**117,340**	115,615	122,691
	13,577,177	11,437,149	9,355,910
Less: Impairment loss recognised	**(1,159,997)**	(1,072,950)	(781,874)
Trade receivables and retentions, net	**12,417,180**	10,364,199	8,574,036
Loan receivables			
Loan receivables	**23,733**	59,000	72,049
Less: Impairment loss recognised	**(18,528)**	(16,298)	(11,725)
Loan receivables, net	**5,205**	42,702	60,324
Prepayments to suppliers and subcontractors			
Prepayments to suppliers and subcontractors	**6,138,040**	5,247,199	6,021,037
Less: Impairment loss recognised	**(468,407)**	(456,725)	(147,935)
Prepayments to suppliers and subcontractors, net	**5,669,633**	4,790,474	5,873,102
Staff advances	**105,770**	74,675	76,969
Deposits	**117,625**	76,797	62,116
Other receivables	**2,076,961**	1,377,694	1,077,320
	2,300,356	1,529,166	1,216,405
	7,975,194	6,362,342	7,149,831
Total trade and other receivables	**20,392,374**	16,726,541	15,723,867
Less: Non-current portion			
Retentions	**(85,471)**	(84,132)	(75,846)
Current portion	**20,306,903**	16,642,409	15,648,021

Refer to note 29 for details of trade and other receivables from related parties.

12. TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis of the Group's trade receivables and retentions, net of impairment loss, presented based on the invoice date is as follows:

	30 June 2013	31 December 2012	1 January 2012
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)	(Restated)
Less than 6 months	**8,797,595**	8,440,493	6,947,585
6 months to 1 year	**2,596,589**	1,299,822	965,171
1 year to 2 years	**814,492**	489,195	470,738
2 years to 3 years	**184,010**	109,526	147,873
Over 3 years	**24,494**	25,163	42,669
	12,417,180	10,364,199	8,574,036

Settlement of trade receivables and retentions generated through engineering and construction services are made in accordance with the terms specified in the contracts governing the relevant transactions, among which retentions are generally settled within one to two years after completion of corresponding services. The Group allows credit period ranging from 30 to 365 days to its trade and construction customers. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited) (Restated)	1 January 2012 RMB'000 (Unaudited) (Restated)
Trade and bills payables	**14,524,084**	13,631,827	12,300,886
Deposits, advances, accruals and other payables			
Prepayments from customers	**12,486,206**	9,001,206	8,162,847
Accrued payroll and welfare	**454,661**	418,222	449,981
Accrued social security costs	**298,566**	285,183	284,750
Other taxes	**328,243**	328,679	329,253
Accrued expenses	**380,578**	289,752	277,967
Deposits payable	**186,973**	170,340	153,802
Dividends payable to non-controlling interests by subsidiaries	**196,312**	159,829	112,825
Other payables	**885,845**	678,921	677,415
	15,217,384	11,332,132	10,448,840
Total trade and other payables	**29,741,468**	24,963,959	22,749,726
Less: Non-current portion	**(4,771)**	(4,645)	(4,120)
Current portion	**29,736,697**	24,959,314	22,745,606

Refer to note 29 for details of trade and other payables to related parties.

13. TRADE AND OTHER PAYABLES (Continued)

Ageing analysis of trade and bills payables presented based on the invoice date is as follows:

	30 June 2013	31 December 2012	1 January 2012
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)	(Restated)
Within 6 months	**11,355,667**	10,771,749	8,071,656
6 months to 1 year	**2,340,115**	2,161,009	2,169,341
1 year to 2 years	**608,821**	494,662	1,667,378
2 years to 3 years	**111,470**	98,041	231,992
Over 3 years	**108,011**	106,366	160,519
	14,524,084	13,631,827	12,300,886

14. SHORT-TERM FINANCING BILLS

	30 June 2013	31 December 2012	1 January 2012
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)
Short-term financing bills	**2,900,000**	400,000	800,000

On 24 July 2012, Xinjiang Tianshan Cement Co., Ltd. ("Tianshan Cement") issued one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.29% per annum and the principal together with the interest is payable on maturity of the bills.

On 24 January 2013, the Company issued one-year short-term financing bills of face value at RMB1,000,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.24% per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 23 April 2013, Sinoma Cement Co. Ltd. issued one-year short-term financing bills of face value at RMB300,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.50% per annum and the principal together with the interest is payable on maturity of the bills.

On 14 May 2013, Sinoma Science & Technology Co., Ltd. issued one-year short-term financing bills of face value at RMB600,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.50% per annum and the principal together with the interest is payable on maturity of the bills.

On 21 March 2013 and 23 May 2013, Tianshan Cement further issued two one-year short-term financing bills of face value at RMB400,000,000 and RMB200,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.55% and 4.44% per annum respectively and the principal together with the interest is payable on maturity of the bills.

15. BORROWINGS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited) (Restated)	1 January 2012 RMB'000 (Unaudited) (Restated)
Non-current			
Long-term bank borrowings			
– Secured (Note a)	**421,880**	917,590	771,464
– Unsecured	**6,375,169**	7,218,061	8,824,460
	6,797,049	8,135,651	9,595,924
Other borrowings			
– Secured (Note a)	**239,000**	–	2,000
– Unsecured	**1,848,287**	1,144,948	43,079
	2,087,287	1,144,948	45,079
Total non-current borrowings	**8,884,336**	9,280,599	9,641,003
Current			
Current portion of long-term bank borrowings			
– Secured (Note a)	**193,759**	238,879	205,000
– Unsecured	**2,194,083**	2,478,211	1,085,100
	2,387,842	2,717,090	1,290,100
Short-term bank borrowings			
– Secured (Note a)	**297,972**	692,930	591,740
– Unsecured	**11,327,319**	11,286,363	8,808,291
	11,625,291	11,979,293	9,400,031
Other borrowings			
– Unsecured	**2,278,529**	1,053,064	2,776,115
Total current borrowings	**16,291,662**	15,749,447	13,466,246
Total borrowings	**25,175,998**	25,030,046	23,107,249

15. BORROWINGS (Continued)

Notes:

(a) Secured borrowings of the Group are secured by the Group's property, plant and equipment and prepaid lease payments with carrying values of approximately RMB3,552,761,000 and RMB271,472,000 as at 30 June 2013 (31 December 2012: RMB3,305,167,000 and RMB170,382,000 and 1 January 2012: RMB2,529,504,000 and RMB204,815,000) respectively.

(b) The movements of borrowings are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
At 1 January	**25,030,046**	23,107,249
Attributable to acquisition of subsidiaries	**180,993**	87,000
Proceeds from new borrowings	**10,144,072**	8,863,581
Repayments of borrowings	**(10,177,130)**	(7,517,800)
Eliminated on disposal of a subsidiary	**–**	(18,800)
Net foreign exchange gains on borrowings	**(1,983)**	(370)
At 30 June	**25,175,998**	24,520,860

16. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS

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

The amounts of early retirement and supplemental benefit obligations recognised in the unaudited condensed consolidated statement of financial position are as follows:

	30 June 2013	31 December 2012	1 January 2012
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)	(Restated)
Total liability in the unaudited condensed consolidated statement of financial position	**337,236**	331,866	342,338
Less: Current portion	**(24,738)**	(49,099)	(44,525)
	312,498	282,767	297,813

16. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

The movements of early retirement and supplemental benefit obligations are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
At 1 January	**331,866**	342,338
Interest cost	**5,768**	6,263
Actuarial losses		
– Other comprehensive expenses for the period	**6,305**	7,202
– Loss for the period	**18,035**	30,791
Payments	**(24,738)**	(23,046)
At 30 June	**337,236**	363,548

17. CASH-SETTLED SHARE-BASED PAYMENTS

The Group implemented a share appreciation rights scheme to motivate and award the senior management team and other key members of the Company. Under this share appreciation rights scheme, share appreciation rights are granted in units representing one H share. No share will be issued under the share appreciation rights scheme. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the share appreciation rights over the applicable vesting period.

The share appreciation rights scheme has been approved at the second extraordinary general shareholders meeting held on 22 October 2010. On 13 December 2010, 4,130,000 units of the share appreciation rights scheme were granted to sixteen senior officers, including five directors and eleven senior management members, at an exercise price of RMB5.17 per unit. On 22 December 2010, Mr. Zhou Yuxian, executive director, has resigned and his related right of 300,000 units of the share appreciation rights become voided under the share appreciation right scheme. On 2 September 2012, Mr. Tan Zhongming, executive director of the Company was deceased and his related right of acquiring 350,000 units of the share appreciation rights were voided under the share appreciation rights scheme. Under the terms of this grant, all share appreciation rights had a contractual life of seven years from the date of grant. A recipient of share appreciation rights may not exercise the rights in the first twenty four months after the date of grant. As at each of the second, third and fourth anniversary of the date of grant, the total number of share appreciation rights exercisable may not in aggregate exceed one-third, two-third and 100%, respectively, of the total share appreciation rights granted to such person. The total amounts paid in cash as a result of the Company's market price being higher than the exercise price of the share appreciation rights shall not exceed 40% of the salaries level of those guarantees accessed at the date of grant. The share appreciation rights which have not been exercised after the expiration of the term of the scheme shall lapse.

17. CASH-SETTLED SHARE-BASED PAYMENTS (Continued)

During the six months ended 30 June 2013, no share appreciation rights were granted, exercised or expired. As at 30 June 2013, the expiry date of the outstanding share appreciation rights is four years and five months.

For the six months ended 30 June 2013, the Group has reversed liabilities previously recognised and recorded income of approximately RMB753,000 (For the six months ended 30 June 2012: reversed liability previously recognised and record income of approximately RMB100,000) related to the share appreciation rights. The fair value of share appreciation rights is determined using the Black-Scholes pricing model with expected volatility of 50% (For the six months ended 30 June 2012: 50%), risk free rate of 3.62% (For the six months ended 30 June 2012: 2.91%) and dividend yield of 1% (For the six months ended 30 June 2012: 1%). The share appreciation rights liability was recorded in accrued payroll and welfare in the trade and other payables and administrative expenses.

18. CORPORATE BONDS

	30 June 2013 **RMB'000** **(Unaudited)**	31 December 2012 RMB'000 (Audited)	1 January 2012 RMB'000 (Audited)
Corporate bonds, at amortised cost	**2,491,482**	2,490,239	2,487,829

On 31 July 2009, the Company issued seven-year corporate bonds of face value of RMB2,500,000,000 in the PRC capital market. The corporate bonds bear a fixed interest rate of 5.40% per annum and the interest is paid annually.

The effective interest rate of the corporate bonds is 5.52% per annum.

19. MEDIUM-TERM NOTES

	30 June 2013 **RMB'000** **(Unaudited)**	31 December 2012 RMB'000 (Audited)	1 January 2012 RMB'000 (Audited)
Medium-term notes, at amortised cost	**5,754,460**	5,253,610	4,352,670

19. MEDIUM-TERM NOTES (Continued)

The medium-term notes are denominated in RMB and the details are as follows:

Date of issue	Principal	Term	Contractual interest rate	Interest payment	Effective interest rate
	RMB'000				
10 March 2010	1,700,000	5 years	4.48% per annum	Annually	4.48%
21 April 2011	660,000	5 years	6.16% per annum	Annually	6.41%
20 October 2011	500,000	5 years	7.00% per annum	Annually	7.00%
25 October 2011	700,000	5 years	7.99% per annum	Annually	7.99%
24 November 2011	800,000	5 years	5.83% per annum	Annually	5.89%
14 August 2012	900,000	5 years	5.61% per annum	Annually	5.63%
6 June 2013	500,000	3 years	5.04% per annum	Annually	5.04%

20. SHARE CAPITAL

	Unlisted domestic shares		Unlisted foreign shares		H Shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	RMB'000	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid:								
At 1 January 2012, 30 June 2012, 31 December 2012 and 30 June 2013	2,276,523	2,276,523	130,793	130,793	1,164,148	1,164,148	3,571,464	3,571,464

21. CHANGES IN THE FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The changes in the fair value of the Group's available-for-sale financial assets are mainly due to the depreciation of the relevant A shares held by the Group.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(a) Business combinations for the period ended 30 June 2013

(i) Gansu Zhangye Julong Building Materials Co., Ltd. ("Zhangye Julong")

On 1 April 2013, the Group acquired 26% equity interests in Zhangye Julong from independent third party for an aggregate cash consideration of RMB60,000,000. Zhangye Julong is principally engaged in the production of concrete and cement and was acquired so as to continue the expansion of the Group's cement operation. This acquisition has been accounted for using acquisition method.

The Group had signed an agreement with another shareholder of Zhangye Julong, Gansu Heihe Hydropower Development Company Limited ("Gansu Heihe"), which hold 26% equity interests in Zhangye Julong. Pursuant to the agreement, Gansu Heihe agreed to act in consent with the Group and the Group had obtained more than half of the voting rights in the board of directors of Zhangye Julong and therefore, Zhangye Julong is regarded as a non-wholly owned subsidiary of the Group.

Consideration transferred

	RMB'000
Cash	60,000

Acquisition-related costs were borne by the vendor and have been excluded from the consideration transferred.

Assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis) are as follows:

	RMB'000
Property, plant and equipment	305,236
Prepaid lease payments	5,141
Deferred income tax assets	949
Inventories	62,824
Trade and other receivables	172,041
Bank balances and cash	6,264
Trade and other payables	(217,046)
Income tax liabilities	(4,250)
Borrowings	(180,750)
Deferred income	(2,300)
Deferred income tax liabilities	(4,198)
	143,911

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the period ended 30 June 2013 (Continued)

(i) Gansu Zhangye Julong Building Materials Co., Ltd. ("Zhangye Julong") (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB172,041,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB172,041,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Goodwill arising on acquisition (determined on a provisional basis):

	RMB'000
Consideration transferred	60,000
Plus: non-controlling interest (74% in Zhangye Julong)	106,494
Less: net assets acquired	(143,911)
Goodwill arising on acquisition	22,583

The non-controlling interest in Zhangye Julong recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Zhangye Julong and amounted to approximately RMB106,494,000.

Goodwill arose in the acquisition of Zhangye Julong because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhangye Julong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Zhangye Julong

	RMB'000
Cash consideration paid	(60,000)
Cash and cash equivalents acquired	6,264
	(53,736)

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the period ended 30 June 2013 (Continued)

(i) Gansu Zhangye Julong Building Materials Co., Ltd. ("Zhangye Julong") (Continued)

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2013 is approximately RMB21,328,000 attributable to Zhangye Julong. Turnover for the six months ended 30 June 2013 includes approximately RMB116,558,000 is attributable to Zhangye Julong.

Had the acquisition of Zhangye Julong been effected at the beginning of the interim period, the total amount of turnover of the Group for the six months ended 30 June 2013 would have been approximately RMB21,823,451,000 and the amount of the profit for the interim period would have been approximately RMB568,237,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Zhangye Julong been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

(ii) LNV Technology Private Limited ("LNV Technology")

On 1 April 2013, the Group acquired 68% equity interests in LNV Technology from independent third parties for an aggregate cash consideration of approximately RMB150,925,000 (INR1,300,139,000). LNV Technology is principally engaged in offering engineering solutions and was acquired so as to continue the expansion of the cement equipment and engineering services segment in India. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	150,925

Acquisition-related costs were insignificant and have been excluded for the consideration transferred and have been recognised as an expense for the six months ended 30 June 2013, within the 'administrative expenses' in the unaudited condensed consolidated statement of profit or loss.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the period ended 30 June 2013 (Continued)

(ii) LNV Technology Private Limited ("LNV Technology") (Continued)

Assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis) are as follows:

	RMB'000
Property, plant and equipment	27,005
Intangible assets	107,917
Other non-current assets	12,994
Inventories	1,328
Trade and other receivables	66,607
Derivative financial instruments	7,149
Other current assets	12,502
Bank balances and cash	36,282
Trade and other payables	(42,378)
Income tax liabilities	(5,375)
Borrowings	(243)
Deferred income tax liabilities	(1,839)
	221,949

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB66,607,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB66,607,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

	RMB'000
Consideration transferred	150,925
Plus: non-controlling interests (32% in LNV Technology)	71,024
Less: net assets acquired	(221,949)
	–

The non-controlling interest in LNV Technology recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of LNV Technology and amounted to RMB71,024,000.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the period ended 30 June 2013 (Continued)

(ii) LNV Technology Private Limited ("LNV Technology") (Continued)

Net cash outflow on acquisition of LNV Technology

	RMB'000
Cash consideration paid	(150,925)
Cash and cash equivalents acquired	36,282
	(114,643)

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2013 is approximately RMB1,531,000 attributable to LNV Technology. Turnover for the six months ended 30 June 2013 includes approximately RMB19,127,000 is attributable to LNV Technology.

Had the acquisition of LNV Technology been effected at the beginning of the interim period, the total amount of turnover of the Group for the six months ended 30 June 2013 would have been approximately RMB21,853,490,000, and the amount of the profit for the interim period would have been approximately RMB582,050,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had LNV Technology been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the period ended 30 June 2012

(i) Pingluo Golden Greatwall Concrete Co., Ltd. ("Pingluo Golden")

On 1 January 2012, the Group acquired 100% equity interests in Pingluo Golden from independent third parties for an aggregate cash consideration of approximately RMB56,305,000. Pingluo Golden is principally engaged in the production and sales of commercial concrete and was acquired so as to expand the production of commercial concrete of the Group. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	45,044
Other payables	11,261
	56,305

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as an expense for the six months ended 30 June 2012, within the 'administrative expenses' in the unaudited condensed consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	71,492
Prepaid lease payments	4,958
Inventories	1,242
Trade and other receivables	6,620
Bank balances and cash	2
Income tax receivables	197
Trade and other payables	(28,550)
	55,961

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB6,620,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB6,620,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the period ended 30 June 2012 (Continued)

(i) Pingluo Golden Greatwall Concrete Co., Ltd. ("Pingluo Golden") (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	56,305
Less: net assets acquired	(55,961)
Goodwill arising on acquisition	344

Goodwill arose in the acquisition of Pingluo Golden because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Pingluo Golden. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Pingluo Golden

	RMB'000
Cash consideration paid	(45,044)
Cash and cash equivalents acquired	2
	(45,042)

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2012 is approximately RMB1,272,000 attributable to the additional business generated by Pingluo Golden. Turnover for the six months ended 30 June 2012 includes approximately RMB34,055,000 generated from Pingluo Golden.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the period ended 30 June 2012 (Continued)

(ii) Xiahe Anduo

On 1 March 2012, the Group acquired 65% equity interests in Xiahe Anduo from an independent third party for an aggregate cash consideration of approximately RMB340,725,000. Xiahe Anduo is principally engaged in the production and the selling of cement and was acquired so as to continue the expansion of the Group's cement operation. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	324,113
Other payables	16,612
	340,725

Acquisition-related costs were borne by the vendor and have been excluded from the consideration transferred.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	468,962
Prepaid lease payments	40,027
Mining rights	15,524
Inventories	57,099
Trade and other receivables	29,703
Bank balances and cash	22,095
Deferred income tax assets	1,750
Other current assets	45
Trade and other payables	(160,381)
Dividend payable	(50,757)
Income tax liabilities	(4,319)
Borrowings	(80,000)
Deferred income tax liabilities	(39,078)
	300,670

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the period ended 30 June 2012 (Continued)

(ii) Xiahe Anduo (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows: (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB29,703,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB29,703,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	340,725
Plus: non-controlling interests (35% in Xiahe Anduo)	105,235
Less: net assets acquired	(300,670)
Goodwill arising on acquisition	145,290

The non-controlling interest in Xiahe Anduo recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Xiahe Anduo and amounted to RMB105,235,000.

Goodwill arose in the acquisition of Xiahe Anduo because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Xiahe Anduo. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Xiahe Anduo

	RMB'000
Cash consideration paid	(324,113)
Cash and cash equivalents acquired	22,095
	(302,018)
Deposit paid for acquisition in previous years	101,400
	(200,618)

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the period ended 30 June 2012 (Continued)

(ii) Xiahe Anduo (Continued)

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2012 is approximately RMB4,830,000 attributable to the additional business generated by Xiahe Anduo. Turnover for the six months ended 30 June 2012 includes approximately RMB104,372,000 is generated from Xiahe Anduo.

Had the acquisition of Xiahe Anduo been effected on 1 January 2012, the total amount of turnover of the Group for the six months ended 30 June 2012 would have been approximately RMB20,408,488,000, and the amount of the profit for the interim period would have been approximately RMB594,278,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Xiahe Anduo been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

(iii) Sinoma Science & Technology (Jiujiang) Co., Ltd. ("Jiujiang Science")

On 31 May 2012, the Group acquired 100% equity interests in Jiujiang Science from independent third parties for an aggregate cash consideration of approximately RMB31,026,000. Jiujiang Science is principally engaged in the production and sales of industrial cylinders and was acquired so as to continue the expansion of the production of high-pressure composite cylinders. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	24,800
Other payables	6,226
	31,026

Acquisition-related costs were insignificant and have been excluded for the consideration transferred and have been recognised as an expense for the six months ended 30 June 2012, within the 'administrative expenses' in the unaudited condensed consolidated statement of profit or loss.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the period ended 30 June 2012 (Continued)

(iii) Sinoma Science & Technology (Jiujiang) Co., Ltd. ("Jiujiang Science") (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	31,752
Prepaid lease payments	12,897
Inventories	18,300
Trade and other receivables	6,461
Bank balances and cash	592
Income tax receivables	442
Trade and other payables	(30,799)
Borrowings	(7,000)
	32,645

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB6,461,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB6,461,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Gain on a bargain purchase arising on acquisition:

	RMB'000
Consideration transferred	31,026
Less: net assets acquired	(32,645)
Gain on a bargain purchase arising on acquisition	1,619

The gain on a bargain purchase is attributable to the ability of the Group in negotiating the agreed term of the transaction with the vendor.

None of the gain on bargain purchase arising on this acquisition is expected to be taxable for tax purpose.

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the period ended 30 June 2012 (Continued)

(iii) Sinoma Science & Technology (Jiujiang) Co., Ltd. ("Jiujiang Science") (Continued)

Net cash outflow on acquisition of Jiujiang Science

	RMB'000
Cash consideration paid	(24,800)
Cash and cash equivalents acquired	592
	(24,208)

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2012 is loss amounted to approximately RMB324,000 attributable to the additional business generated by Jiujiang Science. Turnover for the six months ended 30 June 2012 includes approximately RMB7,161,000 is generated from Jiujiang Science.

Had the acquisition of Jiujiang Science been effected on 1 January 2012, the total amount of turnover of the Group for the six months ended 30 June 2012 would have been approximately RMB20,424,869,000, and the amount of the profit for the interim period would have been approximately RMB591,859,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Jiujiang Science been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

23. BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the following transactions occurred during the six months ended 30 June 2013.

i. On 16 July 2012, Sinoma Tianjin Mining Engineering Co., Ltd. ("Tianjin Mining"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of China Building Materials Industry Construction Tianjin Engineering Co., Ltd. ("Tianjin Engineering") at a consideration of approximately RMB33,995,000. The acquisition was completed on 6 January 2013.

ii. On 16 July 2012, Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. ("Chengdu Company"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Chengdu Cement Industry Design & Research Institute Co., Ltd. ("CCDRI") at a consideration of approximately RMB55,574,000. The acquisition was completed on 6 January 2013.

iii. On 16 July 2012, Sinoma International Engineering Co., Ltd. ("Sinoma International"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Handan Sinoma Asset Management Co., Ltd. ("Handan Sinoma") at a consideration of approximately RMB47,084,000. The acquisition was completed on 21 February 2013.

iv. On 16 July 2012, Sinoma Equipment Group Co., Ltd. ("Equipment Company"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Tianjin Sinoma Asset Management Co., Ltd. ("TCDRI") at a consideration of approximately RMB132,268,000. The acquisition was completed on 5 March 2013.

v. On 8 January 2013, Suzhou Sinoma Design and Research Institute of Nonmetallic Minerals Industry Co., Ltd. ("Suzhou Company"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Suzhou Design & Research Institute of Non-metallic Minerals Co., Ltd. ("SDRI") at a consideration of approximately RMB60,541,000. The acquisition was completed on 19 March 2013.

The parent company of Tianjin Engineering, CCDRI, Handan Sinoma, TCDRI and SDRI (collectively named as the "Acquired Subsidiaries") is Sinoma Group and the aforesaid transactions are regarded as business combinations under common control.

No significant adjustments were made to the net assets and net results of the above entities as a result of the common control combination to achieve consistency of accounting policies.

23. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

Statements of adjustments for business combinations under common control occurred during the six months ended 30 June 2013 on the Group's financial position as at 30 June 2013, 31 December 2012 and 1 January 2012 and the results for the six months ended 30 June 2013 and 30 June 2012 are summarised as follows:

	The Group (after the changes of accounting policies and excluding the Acquired Subsidiaries) RMB'000	Acquired Subsidiaries RMB'000	Adjustment (Note) RMB'000	The Group (after the changes of accounting policies and including the Acquired Subsidiaries) RMB'000
Six months ended 30 June 2013				
Turnover	21,777,984	26,377	–	21,804,361
Profit (loss) before tax	847,666	(8,869)	–	838,797
Income tax expense	(263,856)	(229)	–	(264,085)
Profit (loss) for the period	583,810	(9,098)	–	574,712
As at 30 June 2013				
Non-current assets	52,577,392	131,433	(329,462)	52,379,363
Current assets	42,729,379	287,988	–	43,017,367
Total assets	95,306,771	419,421	(329,462)	95,396,730
Current liabilities	49,505,930	265,862	–	49,771,792
Non-current liabilities	18,794,233	10,972	–	18,805,205
Total liabilities	68,300,163	276,834	–	68,576,997
NET ASSETS	27,006,608	142,587	(329,462)	26,819,733
Capital and reserves				
Share capital	3,571,464	106,504	(106,504)	3,571,464
Reserves	7,242,943	34,213	(222,958)	7,054,198
Equity attributable to owners of the Company	10,814,407	140,717	(329,462)	10,625,662
Non-controlling interests	16,192,201	1,870	–	16,194,071
TOTAL EQUITY	27,006,608	142,587	(329,462)	26,819,733

23. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

	The Group (after the changes of accounting policies and excluding the Acquired Subsidiaries) RMB'000	Acquired Subsidiaries RMB'000	Adjustment (Note) RMB'000	The Group (after the changes of accounting policies and including the Acquired Subsidiaries) RMB'000
Six months ended 30 June 2012				
Turnover	20,377,799	25,890	–	20,403,689
Profit (loss) before tax	784,327	(10,477)	–	773,850
Income tax expense	(173,959)	(422)	–	(174,381)
Profit (loss) for the period	610,368	(10,899)	–	599,469
As at 31 December 2012				
Non-current assets	50,816,428	129,497	–	50,945,925
Current assets	36,882,740	79,439	–	36,962,179
Total assets	87,699,168	208,936	–	87,908,104
Current liabilities	41,894,625	46,222	–	41,940,847
Non-current liabilities	18,723,647	11,029	–	18,734,676
Total liabilities	60,618,272	57,251	–	60,675,523
NET ASSETS	27,080,896	151,685	–	27,232,581
Capital and reserves				
Share capital	3,571,464	106,504	(106,504)	3,571,464
Reserves	7,694,517	42,727	106,504	7,843,748
Equity attributable to owners of the Company	11,265,981	149,231	–	11,415,212
Non-controlling interests	15,814,915	2,454	–	15,817,369
TOTAL EQUITY	27,080,896	151,685	–	27,232,581

23. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

	The Group (after the changes of accounting policies and excluding the Acquired Subsidiaries) RMB'000 (Restated)	Acquired Subsidiaries RMB'000	Adjustment (Note) RMB'000	The Group (after the changes of accounting policies and including the Acquired Subsidiaries) RMB'000
As at 1 January 2012				
Non-current assets	43,144,178	132,758	–	43,276,936
Current assets	36,410,337	97,401	–	36,507,738
Total assets	79,554,515	230,159	–	79,784,674
Current liabilities	37,800,487	48,141	–	37,848,628
Non-current liabilities	17,964,870	9,942	–	17,974,812
Total liabilities	55,765,357	58,083	–	55,823,440
NET ASSETS	23,789,158	172,076	–	23,961,234
Capital and reserves				
Share capital	3,571,464	106,504	(106,504)	3,571,464
Reserves	7,412,873	63,258	106,504	7,582,635
Equity attributable to owners of the Company	10,984,337	169,762	–	11,154,099
Non-controlling interests	12,804,821	2,314	–	12,807,135
TOTAL EQUITY	23,789,158	172,076	–	23,961,234

Note:

The adjustment represents elimination of the share capital of the Acquired Subsidiaries against their investment costs. The differences have been recorded in capital reserve as at 30 June 2013, 31 December 2012 and 1 January 2012.

23. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

The effects of adopting merger accounting for common control combination on the Group's basic earnings per share for the six months ended 30 June 2013 and 2012:

	Six months ended 30 June	
	2013	2012
	RMB	RMB
	(Unaudited)	(Unaudited)
		(Restated)
Figures after changes of accounting policies and before adjustments	**0.030**	0.049
Adjustments arising on common control combination	**(0.002)**	(0.003)
Restated figures after adjustments	**0.028**	0.046

24. DISPOSAL OF A SUBSIDIARY

On 31 May 2012, the Group disposed of its 60% equity interests, being the entire equity interest held by the Group, in Lanzhou Hongjian Commodity Concrete Co., Ltd. ("Lanzhou Hongjian") for a cash consideration of RMB30,000,000.

Consideration received	RMB'000
Cash	10,000
Other receivables	20,000
Total consideration received	30,000

24. DISPOSAL OF A SUBSIDIARY (Continued)

Analysis of assets and liabilities over which control was lost:

	31 May 2012 RMB'000
Property, plant and equipment	**21,514**
Deferred income tax assets	**9,431**
Inventories	**3,688**
Trade and other receivables	**152,711**
Bank balances and cash	**4,615**
Other current assets	**3,351**
Trade and other payables	**(88,141)**
Borrowings	**(18,800)**
Income tax liabilities	**(19,951)**
Net assets disposed of	**68,418**

Loss on disposal of a subsidiary:

	RMB'000
Consideration received	30,000
Net assets disposed of	(68,418)
Non-controlling interests	27,367
Loss on disposal of a subsidiary	(11,051)

Net cash inflow on disposal of Lanzhou Hongjian	RMB'000
Cash consideration received	10,000
Cash and cash equivalents disposed of	(4,615)
	5,385

The subsidiary disposed of during the six months period ended 30 June 2012 contributed approximately RMB47,913,000 to the Group's turnover and no significant impact on the results of the Group. The subsidiary also contributed approximately RMB6,884,000 to the Group's net operating cash flow and paid approximately RMB7,640,000 in respect of financing activities. The subsidiary had no contribution to the Group's cash flow from investing activities.

25. CONTINGENT LIABILITIES

	30 June 2013	31 December 2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Outstanding guarantees	**30,000**	30,000

Note:

The Group has acted as the guarantors for various external borrowings made by other state-owned enterprises and certain independent third parties. Outstanding guarantees amounted to RMB30,000,000 (2012: RMB30,000,000) have been utilised by other state-owned enterprises and independent third parties at the end of the reporting period.

26. CAPITAL COMMITMENTS

	30 June 2013	31 December 2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the unaudited condensed consolidated financial information in respect of the acquisition of:		
– Property, plant and equipment	**873,837**	924,848
– Prepaid lease payments	**–**	4,265
– Acquisition of subsidiaries	**140,316**	–
	1,014,153	929,113

27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	30 June 2013	**31 December 2012**				
Foreign currency forward contracts classified as derivative financial instruments in the unaudited condensed consolidated statement of financial position	Assets: RMB7,465,000 and Liabilities: RMB1,190,000	Assets: RMB4,708,000 and Liabilities: RMB657,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Available-for-trading non-derivative financial assets classified as available-for-sale financial assets in the unaudited condensed consolidated statement of financial position	RMB 1,330,860,000	RMB 2,131,214,000	Level 1	Quoted bid prices in an active market	N/A	N/A

28. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) During the six months ended 30 June 2013, the Group has acquired property, plant and equipment amounting to approximately RMB293,004,000 which were included in trade and other payables as at 30 June 2013.

(b) During the six months ended 30 June 2013, the Group has acquired property, plant and equipment amounting to approximately RMB676,222,000 which has been settled by bills receivables.

(c) During the six months ended 30 June 2012, government contribution amounting to approximately RMB9,310,000 from PRC government was received and recognised as deferred income. During the six months ended 30 June 2013, the conditions or contingencies relating to those contribution have been fulfilled and recognised as government contribution as at 30 June 2013.

(d) During the six months ended 30 June 2012, the Group has acquired 65% equity interests in Xiahe Anduo for a consideration of approximately RMB101,400,000 which had been paid in the year ended 31 December 2011 as a deposit.

(e) During the six months ended 30 June 2012, the Group has acquired property, plant and equipment amounting to approximately RMB953,560,000 which has been settled by bills receivables.

(f) During the six months ended 30 June 2012, the Group has acquired property, plant and equipment amounting to approximately RMB736,460,000 which were included in trade and other payables as at 30 June 2012.

29. RELATED PARTY DISCLOSURES

Sinoma Group, the immediate parent of the Company, is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC Government. The State Council is the Company's ultimate controlling party, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises"). Neither Sinoma Group nor the State Council published financial statements available for public use.

In accordance with HKAS 24 (revised), the Group is exempted from disclosures of transactions with other stated-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the unaudited condensed consolidated financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the six months ended 30 June 2013 and 2012 and balances as at 30 June 2013, 31 December 2012 and 1 January 2012 with related parties.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(i) Transactions and balances with other state-owned enterprises

(a) The Group's transactions with other state-owned enterprises only accounted for less than 5% of the Group's revenue and cost of sales for the period ended 30 June 2013 and 2012. However, over 75% of the Group's interest expenses were incurred for borrowings from other state-owned enterprises.

(b) The balances with other state-owned enterprises and Sinoma Group and its fellow subsidiaries only accounted for less than 5% of the Group's trade and other receivables and trade and other payables as at 30 June 2013, 31 December 2012 and 1 January 2012. However, over 95% of the Group's borrowings were obtained from and over 95% of the Group's cash and cash equivalents are maintained with other state-owned enterprises.

In addition, as at 30 June 2013, 31 December 2012 and 1 January 2012, less than 5% of the Group's borrowings were secured by the corporate guarantees executed by other state-owned enterprises and less than 5% of the outstanding guarantees provided by the Group were in favor of other state-owned enterprises.

29. RELATED PARTY DISCLOSURES (Continued)

(ii) Significant transactions and balances with related parties other than other state-owned enterprises

(a) The Group has the following significant transactions with related parties other than other state-owned enterprises:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions with joint ventures (after elimination of the Group's proportionate interest in those joint ventures)		
Revenue		
– Sales of goods or provision of services	**18,465**	14,023
– Interest income	**495**	569
Expenses		
– Purchases of goods or services	**6,576**	6,672
Transactions with associates		
Revenue		
– Sales of goods or provision of services	**426**	–
Expenses		
– Purchases of goods or services	**3,788**	7,856
Transactions with non-controlling interests		
Revenue		
– Sales of goods or provision of services	**41**	–
Expenses		
– Purchases of goods or services	**10,865**	965
– Rental expense	**850**	–
Transactions with joint venture partners		
Revenue		
– Sales of goods or provision of services	**23**	–

29. RELATED PARTY DISCLOSURES (Continued)

(ii) Significant transactions and balances with related parties other than other state-owned enterprises (Continued)

(b) Balances with related parties other than other state-owned enterprises

	30 June 2013 **RMB'000** **(Unaudited)**	31 December 2012 RMB'000 (Unaudited)
Trade and other receivables		
Trade receivables due from		
– Joint ventures	**36,463**	19,374
– Associates	**16,739**	–
– Non-controlling interests	**–**	20,107
– Joint venture partners	**27**	9,460
– Less: Impairment loss recognised	**(23,561)**	(18,252)
	29,668	30,689
Loan receivables due from		
– Joint ventures	**–**	30,000
Other receivables due from		
– Joint ventures	**495**	–
– Associates	**12,099**	11,473
– Non-controlling interests	**67,500**	67,500
– Less: Impairment loss recognised	**(2,466)**	(2,466)
	77,628	76,507
	107,296	137,196

29. RELATED PARTY DISCLOSURES (Continued)

(ii) Significant transactions and balances with related parties other than other state-owned enterprises (Continued)

(b) Balances with related parties other than other state-owned enterprises (Continued)

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited)
Trade and other payables		
Trade payables due to		
– Joint ventures	**4,244**	6,177
– Associates	**9,428**	19,289
– Non-controlling interests	**16,729**	6,422
– Joint venture partners	**311**	2,010
	30,712	33,898
Other payables due to		
– Associates	**110**	–
– Non-controlling interests	**544**	29,992
– Joint venture partners	**–**	4,000
	654	33,992
	31,366	67,890

The credit periods of trade receivables due from related parties and trade payables due to related parties, if any, generally range from 30 to 365 days. Other receivables due from related parties and other payables due to related parties are generally unsecured, non-interest bearing and repayable on demand.

29. RELATED PARTY DISCLOSURES (Continued)

(iii) Key management compensation

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**3,120**	4,445
Post-employment benefits	**180**	240
	3,300	4,685

The remuneration of the key management is determined by the remuneration committee and having regard to the performance of individuals and market trends.

30. EVENTS AFTER THE REPORTING PERIOD

(i) According to the Company's announcement dated 21 June 2013, Ningxia Building Materials, a non-wholly owned subsidiary of the Company, entered into a share transfer agreement with the shareholder of Wuhai City Xishui to acquire 55% equity interests in Wuhai City Xishui at a consideration of approximately RMB264,110,000. Wuhai City Xishui is principally engaged in production and sales of cement and clinker. Upon completion of this transaction, Wuhai City Xishui will become a wholly-owned subsidiary of Ningxia Building Materials. The acquisition was completed on 1 July 2013.

30. EVENTS AFTER THE REPORTING PERIOD (Continued)

(ii) On 7 August 2013, Ningxia Building Materials entered into a share transfer agreement with another shareholder of Baotou City Xishui Cement Company Limited ("Baotou City Xishui ") to dispose its 45% equity interests, being the entire equity interests held by the Group, in Baotou City Xishui at a consideration of RMB59,610,000. The disposal was completed on 14 August 2013.

(iii) On 30 July 2013, resolution of the agreement (the "Financial Services Framework Agreement") dated 24 May 2013 between the Company and the Sinoma Group Finance Co., Ltd. (the "Sinoma Finance") was duly passed as an ordinary resolution. Pursuant to the agreement, Sinoma Finance agreed to provide the deposit services, loan services and other financial services to the Group. Annual caps for the transactions contemplated under the agreement for the three years ending 31 December 2015 are set as below:

	Year ending 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Deposit services (maximum daily balance (including accrued interests))	**3,100,000**	3,800,000	4,900,000
Other financial services (services fees payable to Sinoma Finance)	**100,000**	200,000	250,000

31. COMPARATIVES

Certain comparative figures have been restated to reflect the adoption of merger accounting and conform with the current period's presentation.

Definitions

"Audit Committee"	the audit committee of the Board
"Baotou Group"	Baotou Industrial Group Co., Ltd. (寶投實業集團有限公司)
"BBMG"	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
"Board"	the board of Directors of the Company
"Cinda"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), one of the promoters of the Company
"Company", "our Company", or "us"	China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated on 31 July 2007 under the laws of the PRC
"CTG"	Taishan Fiberglass Inc. (泰山玻璃纖維有限公司), a wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares of RMB1.00 each in the share capital of the Company, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign shares of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in HK dollars and are listed and traded on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Ningxia Building Materials"	Ningxia Building Materials Group Co., Limited (寧夏建材集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600449), a subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Parent" or "Sinoma Group"	China National Materials Group Corporation Ltd. (中國中材集團有限公司), the controlling shareholder and one of the promoters of the Company
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)

"PRC" or "China"	the People's Republic of China, which for the purposes of this interim report only (unless otherwise indicated) excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan
"Qilianshan Holdings"	Gansu Qilianshan Building Materials Holdings Company Limited (甘肅祁連山建材控股有限公司), a subsidiary of the Company
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"Sinoma (Hong Kong)"	China National Materials (Hong Kong) Co., Limited (中國中材股份(香港)有限公司), a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong
"Sinoma Advanced Materials"	Sinoma Advanced Materials Co., Ltd. (中材高新材料股份有限公司), a subsidiary of the Company
"Sinoma Cement"	Sinoma Cement Co., Ltd. (中材水泥有限責任公司), a wholly-owned subsidiary of the Company
"Sinoma E&E"	Sinoma Equipment & Engineering Corp., Ltd. (中國中材東方國際貿易有限公司), a wholly-owned subsidiary of Sinoma International
"Sinoma Finance"	Sinoma Group Finance Co., Ltd. (中材集團財務有限公司), which is owned as to 70% and 30% respectively by the Parent and the Company
"Sinoma International"	Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600970), a subsidiary of the Company
"Sinoma Jinjing"	Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司), a subsidiary of the Company
"Sinoma Mining"	Sinoma Mining Construction Co., Ltd. (中材礦山建設有限公司), a wholly-owned subsidiary of the Company
"Sinoma Science & Technology"	Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 002080), a subsidiary of the Company
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company

Definitions

"Taishan Investment"	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company
"Tianshan Cement"	Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), a subsidiary of the Company
"Tianshan Group"	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材（集團）有限責任公司), a subsidiary of the Parent and one of the promoters of the Company
"Well Kent"	Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company
"Xiamen Standard Sand"	Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司), a subsidiary of the Company
"Zibo Hi-Tech"	Zibo New & Hi-Tech Venture Capital Co., Ltd. (淄博高新技術風險投資股份有限公司), one of the promoters of the Company

China National Materials
Company Limited