



# Materials

## Bring a Prosperous Life

### 2014 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)



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# Corporate Information

As at 30 June 2014

## DIRECTORS

### Executive Directors

LIU Zhijiang (*Chairman*)  
LI Xinhua (*Vice Chairman*)

### Non-executive Directors

YU Shiliang  
ZHANG Hai<sup>1</sup>  
LI Jianlun  
YU Guobo  
TANG Baoqi

### Independent Non-executive Directors

LEUNG Chong Shun  
LU Zhengfei  
WANG Shimin  
ZHOU Zude

## SUPERVISORS

XU Weibing (*Chairman*)  
ZHANG Renjie  
WANG Jianguo  
WANG Yingcai  
QU Xiaoli

## STRATEGY COMMITTEE

LIU Zhijiang (*Chairman*)  
YU Shiliang  
LI Xinhua  
ZHANG Hai<sup>1</sup>  
LI Jianlun  
YU Guobo  
ZHOU Zude

## AUDIT COMMITTEE

LU Zhengfei (*Chairman*)  
WANG Shimin  
YU Shiliang

## REMUNERATION COMMITTEE

WANG Shimin (*Chairman*)  
LEUNG Chong Shun  
LU Zhengfei

## NOMINATION COMMITTEE

LIU Zhijiang (*Chairman*)  
WANG Shimin  
ZHOU Zude

## SECRETARY OF THE BOARD

GU Chao

## JOINT COMPANY SECRETARIES

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

## AUTHORISED REPRESENTATIVES

LIU Zhijiang  
YU Leung Fai (*HKICPA, AICPA*)

<sup>1</sup> On 26 August 2014, Mr. ZHANG Hai resigned from his position as a non-executive Director of the Company, and accordingly would cease to be a member of the Strategy Committee, with effect from the date of the extraordinary general meeting. On the same day, the Board proposed to appoint Mr. PENG Jianxin as a non-executive Director of the Company, subject to the approval by the Shareholders at the extraordinary general meeting. For details, please refer to the announcement of the Company dated 26 August 2014.

## 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

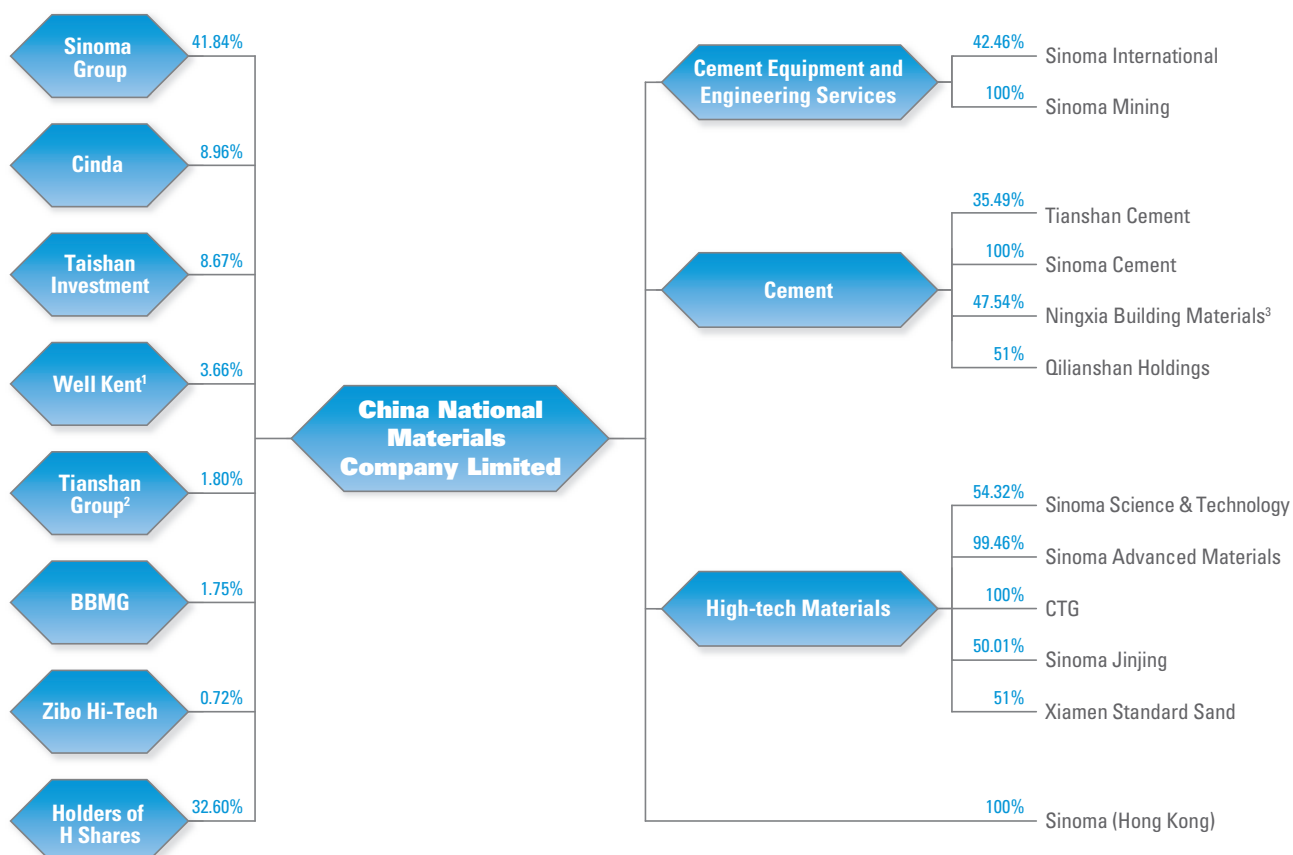
<http://www.sinoma-ltd.cn>

## INVESTOR CONTACT

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E-mail: [ir@sinoma-ltd.cn](mailto:ir@sinoma-ltd.cn)

# Corporate Structure

As at 30 June 2014



Notes:

<sup>1</sup> Well Kent is a wholly-owned subsidiary of Cinda.

<sup>2</sup> Sinoma Group holds 50.95% of the equity interest in Tianshan Group.

<sup>3</sup> The equity interest in Ningxia Building Materials held by the Company increased from 47.54% to 47.56% as a result of the completion of the repurchase and cancellation procedure of the 137,792 compensation shares held by the Company in Ningxia Building Materials on 25 August 2014.

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

	Six months ended 30 June		
	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	Change %
Revenue	<b>25,408.52</b>	21,816.91	16.46
Profit for the period	<b>863.62</b>	573.77	50.52
Profit attributable to owners of the Company	<b>371.94</b>	100.82	268.91
Basic earnings per share (RMB)	<b>0.104</b>	0.028	271.43

	As at		
	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (Audited)	Change %
Total assets	<b>97,283.58</b>	94,512.03	2.93
Total liabilities	<b>67,848.54</b>	66,343.88	2.27
Equity attributable to owners of the Company	<b>12,374.65</b>	11,405.24	8.50
Equity per share (RMB)	<b>3.46</b>	3.19	8.46

Note: The figures for the six months ended 30 June 2013 have been restated due to the completion of an acquisition of Nanjing Fiberglass R&D Institute Co., Ltd. in August 2013, which was under common control.

# Business Summary

## CEMENT EQUIPMENT AND ENGINEERING SERVICES

	Six months ended 30 June		
	2014	2013	Change %
Amount of new order intakes (RMB million)	<b>12,867</b>	22,604	-43.08
	<b>As at 30 June 2014</b>	As at 31 December 2013	Change %
Amount of backlog (RMB million)	<b>57,042</b>	56,742	0.53

## CEMENT

	Six months ended 30 June		
	2014	2013	Change %
Sales volume of cement ('000 tonnes)	<b>33,758</b>	31,711	6.46
Sales volume of clinker ('000 tonnes)	<b>4,326</b>	4,880	-11.35

## HIGH-TECH MATERIALS

	Six months ended 30 June		
	2014	2013	Change %
Sales volume of glass fiber and products ('000 tonnes)	<b>220</b>	214	2.80
Sales volume of fan blades for wind power generator (set)	<b>772</b>	566	36.40
Sales volume of solar-energy fused silica crucibles (unit)	<b>24,654</b>	14,016	75.90
Sales volume of natural gas cylinders (unit)	<b>132,781</b>	142,674	-6.93



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 2014.

In the first half of 2014, the global economy was complex and volatile, showing a polarized growth pattern. Though the PRC macro economy faced increasing downside pressure, the overall performance of the economy remained stable, with the structural adjustment progressing smoothly and the transformation and upgrading maintaining good development momentum. Seizing the opportunities brought by deepening of reform and structural adjustment, the Company took proactive initiatives to cope with the difficulties and challenges, constantly optimized resource allocation, enhanced basic management, strengthened technological innovation, actively facilitated the implementation of the strategy of "overseas expansion", so as to maintain stable production and operation and achieve satisfactory operating results. During the reporting period, revenue of the Group was RMB25,408.52 million, representing a year-on-year increase of 16.46%. Profit for the period was RMB863.62 million, representing a year-on-year increase of 50.52%. Profit attributable to owners of the Company was RMB371.94 million, representing a year-on-year increase of 268.91%. Earnings per share amounted to RMB0.104.

## **CEMENT EQUIPMENT AND ENGINEERING SERVICES**

During the reporting period, affected by the macro economic condition, investments in the cement industry in the domestic and overseas markets slowed down. Due to the increasingly severe market competition, the cement equipment and engineering services segment was under higher pressure in production and operation. The amount of new order intakes decreased by 43% on a year-on-year basis, and the operating results of the segment decreased by 8.61% as compared to the same period of last year. In face of the challenging environment, the segment took a series of measures to proactively explore new markets, push forward the implementation of projects and promote technological innovation, so as to enhance its core competitiveness.

## **CEMENT**

During the reporting period, in face of the unfavourable situation of overcapacity in domestic cement industry, the cement segment implemented prudent development strategy, sped up technology improvement and upgrading of the existing production lines and promoted energy conservation and emission reduction, in an effort to reduce production costs and significantly improve profitability of the segment, resulting in a year-on-year increase of 45.45% in the segment results.

## **HIGH-TECH MATERIALS**

During the reporting period, leveraging on the recovery in the wind power fan blade market, the segment improved production efficiency and increased sales volume of products, achieving rapid growth in profits. The glass fiber and products business continued to reduce production costs and optimize product mix, so as to improve product competitiveness and further improve its profitability.





# Chairman's Statement

## PROSPECTS

In the second half of 2014, the global economy will remain complex and changing with many unstable factors and uncertainties. The PRC economy shows a stable and upward trend, but there still will be great challenges ahead, therefore the PRC government continues to uphold the key theme of seeking growth while maintaining stabilization as well as reform and innovation. By making wise judgement on the macro economic condition and deepening reform and innovation, the Company will step up efforts in promoting transformation and adjustment of the industrial structure and push ahead the implementation of the “overseas expansion” strategy, with an aim to achieve steady growth in the operating results.

## CEMENT EQUIPMENT AND ENGINEERING SERVICES

The cement equipment and engineering services segment will continue to explore the international market, consolidating its market share in the Asia and Africa markets, while proactively exploring the emerging markets. The segment will increase efforts in exploring the market of energy conservation and environmental protection and technology improvement for domestic cement enterprises, and increase the share of spare parts and post-service businesses. The segment will also vigorously promote the business of co-disposal of urban garbage by cement kiln. Furthermore, the segment will actively diversify into related businesses, innovate its business model and increase investments in research and development, while accelerating the expansion of the equipment manufacturing business into the mining, metallurgical, chemical and power industries.

## CEMENT

The cement segment will seize the opportunities brought to the industry by the construction of railways, highways and hydraulic facilities and the renovation of squatter settlements to further increase its market share and enhance its domination. The segment will continue to enhance technology improvement to the existing production lines, striving to reduce production costs and improve profitability. Increasing efforts will be made to explore the overseas cement markets, with an aim to achieve breakthrough in overseas cement investments in 2014.

## HIGH-TECH MATERIALS

The segment will continue to increase technology investments to improve innovation strength and enhance operation efficiency. The wind power fan blade business will continue to speed up new product development. The offshore wind power fan blade industrialization project in Funing is expected to commence production in the second half of the year, which will further enhance its market competition strength and profitability. Seizing the opportunities arising from recovery of the industry, the glass fibre and products business will speed up phase-out of backward production capacity, proactively adjust product mix and increase efforts in technology improvement, so as to further reduce production costs and improve profitability.

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 2014

# 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 showed a trend of recovery, but growth in the emerging economies slowed down. Investments in the cement industry across the world in general remained at low level, and there were no signs of an overall recovery, leading to a decrease in new cement projects.

Being affected by factors such as slowdown in economic growth and excessive production capacity, the fixed asset investments in the domestic cement industry witnessed an accelerated decline in the first half of the year, recording a decrease of 12.17% on a year-on-year basis. The rapid decline in cement construction projects led to more intensified competition, further compressing the profitability of the projects.

### Business Review

Intensified market competition led to decrease in segment results

During the reporting period, affected by the domestic and overseas macro-economic environment, the production and operation of the segment were under greater pressure, leading to decrease to certain extent in segment results and substantial decline in the amount of new order intakes from the domestic and overseas markets. Facing the challenging environment at home and overseas, the segment capitalized on its brand strength and innovated its business model, consolidating its position in the traditional markets, while actively exploiting the emerging markets.

Enhancing resource allocation and control over the EPC projects to achieve overall smooth progress in projects

During the reporting period, the over 160 projects executed by the segment progressed smoothly. A number of projects were successfully put into operation. Among which, five projects have received Provisional Acceptance Certificate (PAC), and four projects have received Final Acceptance Certificate (FAC). The segment continued to optimize resource allocation and control over the EPC projects, further strengthening its contract performance capability. The geopolitical volatility in some regions did not impose much impact on the projects under construction in the relevant regions.



## Promoting technological innovation to enhance core competitiveness

During the reporting period, focusing on its self-innovation and adopting a technology-oriented approach, the segment developed a large number of new technologies and equipments which were widely used by cement production enterprises, thus making contribution to the development of the cement industry. The “Feeder plate rolling and forming machine production line (料槽底板軋製成型專機生產線)” was awarded the first prize in technique of the National Innovation Award for the Building Materials Industry in 2013. The “Innovative system integration technology for para-disposal of urban garbage with cement kiln and engineering application (利用水泥窯爐協同處置城市生活垃圾系統集成創新技術與工程應用)”, which is in line with the international advanced level, has passed the technological achievement verification, providing a platform to widely promote the harmless disposal of urban garbage with cement kiln. Sinoma International was awarded the “Honor Award of the 3rd China Industrial Award(第三屆中國工業大獎表彰獎)”.

## CEMENT

### Industry Review

In the first half of 2014, China produced 1.144 billion tonnes of cement, a 3.6% increase as compared to the same period of last year, showing a noticeable slowdown in the growth of cement production. The implementation of the “Air pollutants emission standards for cement industry”, “Pollution control standards for using cement kilns to facilitate the treatment of solid wastes” and “Assessment indicator system of cleaner production for cement industry” in the first half of the year yielded more stringent policies on environmental protection and energy conservation and emission reduction, imposing greater cost pressure on the enterprises, while facilitating phase-out of backward production capacity, which helped to stabilize the cement market and expedited development of enterprises with sophisticated technology and equipments as well as advanced management.

### Business Review

Coping with industry overcapacity to achieve steady development of the sector

In face of overcapacity in the cement industry, the segment continued to implement prudent development strategy. Leveraging on our brand strength and regional dominance, the segment proactively exploited new market, achieving stable growth in cement sales volume. In the first half of 2014, the sales volume of cement and clinker amounted to 38.084 million tonnes, representing a year-on-year increase of 4%.

### Optimizing internal management to improve operation quality

During the reporting period, focusing on cost control, the segment continued to refine management. The segment reduced procurement cost by expanding the scope of centralized bidding procurement, so as to alleviate the cost pressure due to rising labor and raw material costs. The average sales costs for per tonne of cement decreased by 3.2% as compared to the same period of last year, recording improvement in profitability of the segment.

### Enhancing efforts in energy conservation and emission reduction to reduce costs and increase efficiency

The segment continued to enhance efforts in energy conservation and emission reduction by adopting new technology and technique, so as to improve the recycling utilization rate of exhaust gas, waste water and waste residues, improve clinker strength and reduce energy and material consumption. As at the end of June 2014, the segment built 53 sets of residual heat power generation machine with a total installed capacity of 405MW, resulting in a year-on-year decrease of 2.3% in comprehensive energy consumption for per tonne of cement.

# Management Discussion and Analysis

## HIGH-TECH MATERIALS

### Industry Review

During the reporting period, the global wind power market showed a trend of recovery, while the emerging market developed at a rapid pace. The government implemented a number of favorable policies to support the development of the PV and wind power industries and accelerated the construction of accessory grid, leading to decline in the curtailment rate of wind power and increase in the grid integration rate. In the first half of the year, the additional bidding for wind power amounted to over 11.5GW, representing an increase of 30% as compared to the same period of last year, which shows signs of recovery in the wind power industry.

During the reporting period, the export of glass fiber returned to the upward track. With the improvement in the domestic wind power, automobile and high-end home appliances market, the glass fiber industry showed a trend of recovery, recording increase in production and sales as compared to the same period of last year. The accumulated production volume of the glass fiber industry for the first half of the year amounted to 1.486 million tonnes, representing an increase of 4.26% on a year-on-year basis. The sales price increased to enhance profit margin.

### Business Review

Flourishing production and sale in the wind power fan blade business with significant increase in profitability

During the reporting period, adopting a market-oriented approach and seizing the opportunities arising from market recovery, the wind power fan blade business took proactive initiatives to secure orders and increase product sales. The segment further reduced production costs by making better use of the production capacity, yielding a year-on-year increase of 3 percentage points in gross profit margin, which helped to improve the profitability of the segment.

During the reporting period, the offshore wind power fan blade industrialization project in Funing commenced construction and is expected to commence production within the year, which will further enhance the competition strength and profitability of the segment.

Enhancing technology improvement in the glass fiber business to reduce production costs

During the reporting period, the glass fiber business seized market opportunities to increase product sales, recording robust production and sales in the segment with the sales volume hitting record high. While increasing sales of the glass fiber and product business, the segment sped up technology improvement to the existing production lines and increased efforts in product mix adjustment. During the reporting period, the technology improvement project of an alkali-resistant glass fiber production line with a production capacity of 15,000 tpa was put into operation, and a special glass fiber trial kiln production line with a production capacity of 5,000 tpa commenced construction, which is expected to commence production in August. A glass fiber production line with a production capacity of 80,000 tpa commenced construction, which is expected to commence production by the end of the year. The commencement of production of the above projects will help to improve product quality and reduce production costs, so as to improve the competitiveness and profitability of the segment.



## FINANCIAL REVIEW

	Six months ended 30 June		
	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	Change %
Revenue	<b>25,408.52</b>	21,816.91	16.46
Cost of sales	<b>(20,470.62)</b>	(17,752.70)	15.31
Gross profit	<b>4,937.90</b>	4,064.21	21.50
Other gains	<b>303.94</b>	385.50	(21.16)
Selling and marketing expenses	<b>(845.51)</b>	(758.38)	11.49
Administrative expenses	<b>(2,139.99)</b>	(1,910.16)	12.03
Exchange loss	<b>(53.12)</b>	(40.87)	29.97
Other expenses	<b>(7.90)</b>	(22.85)	(65.43)
Operating profit	<b>2,195.33</b>	1,717.45	27.82
Interest income	<b>69.78</b>	88.52	(21.17)
Finance costs	<b>(1,085.79)</b>	(945.36)	14.85
Share of results of associates	<b>25.69</b>	(12.31)	–
Share of results of joint ventures	<b>(13.74)</b>	(10.44)	31.61
Profit before tax	<b>1,191.27</b>	837.86	42.18
Income tax expense	<b>(327.65)</b>	(264.09)	24.07
Profit for the period	<b>863.62</b>	573.77	50.52
Profit for the period attributable to:			
Owners of the Company	<b>371.94</b>	100.82	268.91
Non-controlling interests	<b>491.68</b>	472.95	3.96

## Operating Results

For the six months ended 30 June 2014, profit before tax of the Group was RMB1,191.27 million, representing an increase of 42.18% as compared with the corresponding period of last year. Profit attributable to owners of the Company was RMB371.94 million, representing an increase of 268.91% as compared with the corresponding period of last year. Earnings per share of the Company was RMB0.104.

# 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.

### Revenue

Revenue of the Group for the six months ended 30 June 2014 was RMB25,408.52 million, representing an increase of 16.46% as compared with RMB21,816.91 million in the corresponding period of last year. In particular, the revenue of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB2,569.98 million, RMB466.25 million and RMB486.21 million, respectively.

### Cost of sales

Cost of sales of the Group for the six months ended 30 June 2014 was RMB20,470.62 million, representing an increase of 15.31% as compared with RMB17,752.70 million in the corresponding period of last year. In particular, the cost of sales of the cement equipment and engineering services segment increased by RMB2,520.38 million, and the cement segment decreased by RMB160.59 million, and the high-tech materials segment increased by RMB291.07 million.

### Gross profit and gross margin

Gross profit of the Group for the six months ended 30 June 2014 was RMB4,937.90 million, representing an increase of 21.50% as compared with RMB4,064.21 million in the corresponding period of last year. In particular, the gross profit of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB49.60 million, RMB626.84 million and RMB195.14 million respectively. Gross margin increased by 0.80 percentage point from 18.63% in the corresponding period of last year to 19.43%.

### Selling and marketing expenses

Selling and marketing expenses of the Group for the six months ended 30 June 2014 was RMB845.51 million, representing an increase of 11.49% as compared with RMB758.38 million in the corresponding period of last year. In particular, the selling and marketing expenses of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB3.64 million, RMB38.19 million and RMB45.30 million, respectively.

### Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2014 was RMB2,139.99 million, representing an increase of 12.03% as compared with RMB1,910.16 million in the corresponding period of last year. In particular, the administrative expenses of the cement equipment and engineering services segment decreased by RMB11.38 million, while the cement segment and the high-tech materials segment increased by RMB187.28 million and RMB50.22 million, respectively.

### Operating profit and operating profit margin

Operating profit of the Group for the six months ended 30 June 2014 was RMB2,195.33 million, representing an increase of 27.82% as compared with RMB1,717.45 million in the corresponding period of last year. Operating profit margin increased by 0.77 percentage point from 7.87% in the corresponding period of last year to 8.64%.



## Finance costs

Finance costs of the Group for the six months ended 30 June 2014 was RMB1,085.79 million, representing an increase of 14.85% as compared with RMB945.36 million in the corresponding period of last year. The increase was mainly due to the increase of financing scale and the increase of borrowing interest rate.

## Share of results of associates

Share of results of associates of the Group for the six months ended 30 June 2014 was RMB25.69 million, representing an increase of RMB38.00 million as compared with RMB-12.31 million in the corresponding period of last year. The increase was mainly due to the disposal of its certain loss-marking associates in the second half of last year.

## Share of results of joint ventures

Share of results of joint ventures of the Group for the six months ended 30 June 2014 was RMB-13.74 million, representing an increase in losses of 31.61% as compared with RMB-10.44 million in the corresponding period of last year, mainly due to the increase in loss of PPG Sinoma Jinjing Fiber Glass Co., Limited.

## Income tax expense

Income tax expense of the Group for the six months ended 30 June 2014 was RMB327.65 million, representing an increase of 24.07% as compared with RMB264.09 million in the corresponding period of last year. The increase was mainly due to the significant growth in the operating results of the cement segment.

## Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2014 was RMB371.94 million, representing an increase of 268.91% as compared with RMB100.82 million in the corresponding period of last year. The increase was mainly due to the significant growth in the profitability of the wholly-owned subsidiaries of the cement segment and the high-tech materials segment.

## Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the six months ended 30 June 2014 was RMB491.68 million, representing an increase of 3.96% as compared with RMB472.95 million in the corresponding period of last year.



# Management Discussion and Analysis

## 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		
	2014 RMB million (Unaudited)	2013 RMB million (Unaudited)	Change %
Revenue	<b>11,873.48</b>	9,303.50	27.62
Cost of sales	<b>10,439.32</b>	7,918.94	31.83
Gross profit	<b>1,434.16</b>	1,384.56	3.58
Selling and marketing expenses	<b>90.80</b>	87.16	4.18
Administrative expenses	<b>720.93</b>	732.31	(1.55)
Segment results	<b>559.72</b>	612.48	(8.61)

#### Revenue

Revenue of the cement equipment and engineering services segment for the six months ended 30 June 2014 was RMB11,873.48 million, representing an increase of 27.62% as compared with RMB9,303.50 million in the corresponding period of last year. The increase was due to the increase of work in progress projects.

#### Cost of sales

Cost of sales of the cement equipment and engineering services segment for the six months ended 30 June 2014 was RMB10,439.32 million, representing an increase of 31.83% as compared with RMB7,918.94 million in the corresponding period of last year.

#### Gross profit and gross margin

Gross profit of the cement equipment and engineering services segment for the six months ended 30 June 2014 was RMB1,434.16 million, representing an increase of 3.58% as compared with RMB1,384.56 million in the corresponding period of last year. Gross margin decreased by 2.80 percentage points from 14.88% in the corresponding period of last year to 12.08%. The decrease was mainly due to the decrease in certain contract prices resulting from the intensified market competition.

#### Selling and marketing expenses

Selling and marketing expenses of the cement equipment and engineering services segment for the six months ended 30 June 2014 was RMB90.80 million, representing an increase of 4.18% as compared with RMB87.16 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 2014 was RMB720.93 million, representing a decrease of 1.55% as compared with RMB732.31 million in the corresponding period of last year.

## Segment results

Based on the above, results of the cement equipment and engineering services segment for the six months ended 30 June 2014 was RMB559.72 million, representing a decrease of 8.61% as compared with RMB612.48 million in the corresponding period of last year.

## Cement

	Six months ended 30 June		
	2014 RMB million (Unaudited)	2013 RMB million (Unaudited)	Change %
Revenue	<b>10,788.15</b>	10,321.90	4.52
Cost of sales	<b>8,034.35</b>	8,194.94	(1.96)
Gross profit	<b>2,753.80</b>	2,126.96	29.47
Selling and marketing expenses	<b>569.87</b>	531.68	7.18
Administrative expenses	<b>1,004.22</b>	816.94	22.92
Segment results	<b>1,404.53</b>	965.66	45.45

## Revenue

Revenue of the cement segment for the six months ended 30 June 2014 was RMB10,788.15 million, representing an increase of 4.52% as compared with RMB10,321.90 million in the corresponding period of last year. The increase was mainly due to the increase in the price and sales volume of products.

## Cost of sales

Cost of sales of the cement segment for the six months ended 30 June 2014 was RMB8,034.35 million, representing a decrease of 1.96% as compared with RMB8,194.94 million in the corresponding period of last year.

## Gross profit and gross margin

Gross profit of the cement segment for the six months ended 30 June 2014 was RMB2,753.80 million, representing an increase of 29.47% as compared with RMB2,126.96 million in the corresponding period of last year. Gross margin of the cement segment increased by 4.92 percentage points from 20.61% in the corresponding period of last year to 25.53%. The increase was mainly due to the increase in sales price with a decreased production cost of the product.

# Management Discussion and Analysis

## Selling and marketing expenses

Selling and marketing expenses of the cement segment for the six months ended 30 June 2014 was RMB569.87 million, representing an increase of 7.18% as compared with RMB531.68 million in the corresponding period of last year. The increase was mainly due to the increase in packaging and transportation costs as a result of the increased sales volume.

## Administrative expenses

Administrative expenses of the cement segment for the six months ended 30 June 2014 was RMB1,004.22 million, representing an increase of 22.92% as compared with RMB816.94 million in the corresponding period of last year. The increase was mainly due to the increase in environmental expenses and production capacity.

## Segment results

Based on the above, results of the cement segment for the six months ended 30 June 2014 was RMB1,404.53 million, representing an increase of 45.45% as compared with RMB965.66 million in the corresponding period of last year.

## High-tech Materials

	Six months ended 30 June		
	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	Change %
Revenue	<b>3,429.76</b>	2,943.55	16.52
Cost of sales	<b>2,637.74</b>	2,346.67	12.40
Gross profit	<b>792.02</b>	596.88	32.69
Selling and marketing expenses	<b>184.84</b>	139.54	32.46
Administrative expenses	<b>390.27</b>	340.05	14.77
Segment results	<b>293.85</b>	209.39	40.34

## Revenue

Revenue of the high-tech materials segment for the six months ended 30 June 2014 was RMB3,429.76 million, representing an increase of 16.52% as compared with RMB2,943.55 million in the corresponding period of last year. The increase was mainly due to the increase in sales volume of glass fiber and products and wind power fan blades as well as the increase in price of glass fiber and products.

## Cost of sales

Cost of sales of the high-tech materials segment for the six months ended 30 June 2014 was RMB2,637.74 million, representing an increase of 12.40% as compared with RMB2,346.67 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 2014 was RMB792.02 million, representing an increase of 32.69% as compared with RMB596.88 million in the corresponding period of last year. Gross margin of the high-tech materials segment increased by 2.81 percentage points from 20.28% in the corresponding period of last year to 23.09%. The increase was mainly due to the decrease in production costs of glass fiber and products and wind power fan blades and the increase in price of glass fiber and products.

## Selling and marketing expenses

Selling and marketing expenses of the high-tech materials segment for the six months ended 30 June 2014 was RMB184.84 million, representing an increase of 32.46% as compared with RMB139.54 million in the corresponding period of last year. The increase was mainly due to the increase in transportation costs as a result of the increased sales volume.

## Administrative expenses

Administrative expenses of the high-tech materials segment for the six months ended 30 June 2014 was RMB390.27 million, representing an increase of 14.77% as compared with RMB340.05 million in the corresponding period of last year. The increase was mainly due to the increase in research and development expenditure and impairment loss on assets.

## Segment results

Based on the above, results of the high-tech materials segment for the six months ended 30 June 2014 was RMB293.85 million, representing an increase of 40.34% as compared with RMB209.39 million in the corresponding period of last year.

## Liquidity and Capital Resources

Cash flows:

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB million</b> <b>(Unaudited)</b>	2013 RMB million (Unaudited) (Restated)
Net cash from operating activities	<b>2,199.44</b>	1,185.83
Net cash used in investing activities	<b>(1,805.43)</b>	(2,364.94)
Net cash from financing activities	<b>679.24</b>	2,401.26
Cash and cash equivalents at the end of the period	<b>8,420.19</b>	10,428.87

## Net cash from operating activities

Net cash from operating activities increased from RMB1,185.83 million in the corresponding period of last year to RMB2,199.44 million for the six months ended 30 June 2014. The increase was mainly due to the year-on-year decrease in net increase in trade and other receivables.

# Management Discussion and Analysis

## Net cash used in investing activities

Net cash used in investing activities decreased from RMB2,364.94 million in the corresponding period of last year to RMB1,805.43 million for the six months ended 30 June 2014. The decrease was mainly due to the decline in the fixed assets investments.

## Net cash from financing activities

Net cash generated from financing activities decreased from RMB2,401.26 million in the corresponding period of last year to RMB679.24 million for the six months ended 30 June 2014. The decrease was mainly due to the decrease in demand for cash as a result of the increase of net cash generated from operating activities and the decrease of net cash used in investing activities.

## Working Capital

As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB8,420.19 million (31 December 2013: RMB7,270.06 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 30 June 2014 was 84.31% (31 December 2013: 82.28%).

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 2014, the net debt ratio of the Group was 88.99% (31 December 2013: 94.74%).

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 2014, the balance of the Group's borrowings amounted to RMB36,475.28 million.

	<b>30 June 2014</b>	31 December 2013
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Audited)
Short-term borrowings and long-term borrowings due within one year	<b>16,688.58</b>	16,257.82
Short-term financing bills	<b>2,960.00</b>	2,900.00
Long-term borrowings, net of portions due within one year	<b>8,576.27</b>	7,931.43
Corporate bonds	<b>2,494.09</b>	2,492.78
Medium-term notes	<b>5,756.34</b>	5,755.34
Total borrowings	<b>36,475.28</b>	35,337.37



## Pledge of Assets

The Group's property, plant and equipment, and prepaid lease payments with carrying values of RMB2,521.73 million and RMB301.27 million as at 30 June 2014 were pledged as security respectively (31 December 2013: RMB1,079.59 million and RMB49.33 million respectively).

## Contingent Liabilities

	<b>30 June 2014</b> RMB million (Unaudited)	31 December 2013 RMB million (Audited)
Outstanding guarantees	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

## 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.



# Management Discussion and Analysis

## 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 condensed consolidated financial information for the six months ended 30 June 2014.

## SHARE CAPITAL

The share capital structure of the Company as at 30 June 2014 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 2014.

## UPDATES ON DIRECTORS' AND SUPERVISORS' INFORMATION

Mr. YU Shiliang, a non-executive Director of the Company, ceased to be a non-executive director of BBMG Corporation since June 2014.



# Other Information

## 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 2014, 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 2014, 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	118,136,964	10.15%	3.31%
The National Council for Social Security Fund	H Shares	Long Position	93,124,115	7.99%	2.61%
Citigroup Inc.	H Shares	Long Position	70,262,135	6.03%	1.97%
		Lending Pool	30,885,446	2.65%	0.86%

Note: The above information is based on the data provided in the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://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 2014, 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 2014, 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. There is no significant changes in the accrued payroll and welfare of the staff of the Group as compared with that of last year. As at 30 June 2014, the Group had 58,936 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) involved into the following material legal matters:

Sinoma E&E filed civil actions to the court in respect of its contract disputes with COSCO Supply Chain and Beijing CMST respectively. Currently, Sinoma E&E has received the civil judgement for second instance in respect of its contract dispute with Beijing CMST, while its contract dispute with COSCO Supply Chain has been remanded by the court of second instance for retrial. Details of the cases are set out in the announcements of the Company dated 25 June 2013, 31 December 2013, 18 January 2014, 29 April 2014 and 12 August 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma E&E filed civil actions to the court in respect of its contract disputes with the defendants including Shanghai Dingqi Trading Co., Ltd. (上海鼎企商貿有限公司). Currently, the case is still under the first-instance stage. Details of the case are set out in the announcement of the Company dated 14 August 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 the defendants including Shanghai Fuyuan Metal Materials Co., Ltd. and has received the paper of civil mediation from the court, of which it has applied to the court for mandatory enforcement. In addition, Sinoma E&E filed two civil actions to the court in respect of its contract disputes with the defendants including Shanghai Xinkuang Iron & Steel Co., Ltd. and has received two papers of civil mediation from the court, of which it has applied to the court for mandatory enforcement. Moreover, Sinoma E&E also filed a civil action to the court in respect of its contract dispute with Hangzhou Bay Industrial Co., Ltd. and has received the paper of civil mediation from the court, of which it has applied to the court for mandatory enforcement. Details of the cases are set out in the announcements of the Company dated 8 January 2014, 2 April 2014 and 16 April 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.



## Other Information

Sinoma E&E filed a civil action to the court in respect of its contract dispute with SinoSteel Guangdong Co., Ltd.. The claims by Sinoma E&E was dismissed by the court of first instance. Currently, Sinoma E&E has appealed to the court in respect of the first instance judgment, and no judgment of second instance has been made. Details of the case are set out in the announcements of the Company dated 25 June 2013 and 1 March 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

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

### SUBSEQUENT EVENT

Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. (成都建築材料工業設計研究院有限公司) (as the “Contractor”), a wholly-owned subsidiary of Sinoma International, entered into the “Turnkey Project Contract regarding the designing, supply, construction, installation and debugging of two extending production lines each with a daily cement production capacity of 5,775 tons for Ministry of Defense of Egypt” with Bureau of Equipment of Ministry of Defense of the Arab Republic of Egypt (as the “Owner”) on 8 July 2014 Cairo time. Details of the event are set out in the announcement of the Company dated 10 July 2014 on the websites of the Hong Kong Stock Exchange and the Company.

On 14 August 2014, Qinghai Qilianshan Cement Co., Ltd., a subsidiary of the Company, entered into the transfer agreement with Qinghai Kunlunshan Lime Industry Co., Ltd., a subsidiary of Sinoma Group, pursuant to which, Qinghai Qilianshan Cement Co., Ltd. agreed to acquire the non-current assets owned by Qinghai Kunlunshan Lime Industry Co., Ltd. under the transfer agreement. For details, please refer to the announcement of the Company dated 14 August 2014 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 2014, 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 2014.

## **(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 14 August 2014, the Audit Committee reviewed the interim financial report of the Company for the six months ended 30 June 2014 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 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Revenue	4	25,408,520	21,816,910
Cost of sales		(20,470,617)	(17,752,702)
<b>Gross profit</b>		<b>4,937,903</b>	4,064,208
Interest income		69,779	88,517
Other gains		303,940	385,505
Selling and marketing expenses		(845,509)	(758,384)
Administrative expenses		(2,139,990)	(1,910,159)
Exchange loss		(53,116)	(40,871)
Other expenses		(7,900)	(22,848)
Finance costs	5	(1,085,788)	(945,362)
Share of results of associates		25,692	(12,312)
Share of results of joint ventures		(13,739)	(10,436)
<b>Profit before tax</b>		<b>1,191,272</b>	837,858
Income tax expense	6	(327,653)	(264,085)
<b>Profit for the period</b>	7	<b>863,619</b>	573,773
Profit for the period attributable to:			
Owners of the Company		371,940	100,817
Non-controlling interests		491,679	472,956
		<b>863,619</b>	573,773
Earnings per share – basic and diluted (expressed in RMB per share)	9	<b>0.104</b>	0.028

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

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
<b>Profit for the period</b>	<b>863,619</b>	<b>573,773</b>
<b>Other comprehensive (expenses) income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial loss on defined benefit obligations	(10,661)	(7,409)
Income tax relating to actuarial loss on defined benefit obligations	1,766	1,104
	<b>(8,895)</b>	<b>(6,305)</b>
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Safety fund set aside	40,307	68,082
Utilisation of safety fund	(14,441)	(36,922)
Exchange differences on translation of financial statements of foreign operations	78,789	(26,568)
Loss on fair value changes on available-for-sale investments assets	(284,351)	(803,383)
Income tax relating to items that may be reclassified to profit or loss	70,936	194,689
	<b>(108,760)</b>	<b>(604,102)</b>
<b>Other comprehensive expenses for the period (net of tax)</b>	<b>(117,655)</b>	<b>(610,407)</b>
<b>Total comprehensive income (expenses) for the period</b>	<b>745,964</b>	<b>(36,634)</b>
Total comprehensive income (expenses) attributable to:		
Owners of the Company	205,177	(472,893)
Non-controlling interests	540,787	436,259
	<b>745,964</b>	<b>(36,634)</b>

# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	45,138,438	45,210,186
Prepaid lease payments	10	3,951,541	3,853,959
Investment properties	10	187,755	176,004
Intangible assets	10	774,359	721,844
Mining rights	10	549,479	512,945
Interests in associates		804,510	863,718
Interests in joint ventures		120,499	134,238
Available-for-sale investments		1,738,017	2,022,555
Trade and other receivables	12	79,799	87,611
Other non-current assets		837,746	220,328
Deposits paid for acquisition of a subsidiary	11	436,662	–
Deferred income tax assets		714,388	832,197
		<b>55,333,193</b>	<b>54,635,585</b>
<b>Current assets</b>			
Inventories		10,227,573	8,773,280
Trade and other receivables	12	20,676,835	21,594,044
Amounts due from customers for contract work		554,636	599,010
Prepaid lease payments	10	123,361	131,052
Derivative financial instruments		7,070	21,169
Other current assets		80,742	107,875
Restricted bank balances		1,859,982	1,379,963
Bank balances and cash		8,420,188	7,270,055
		<b>41,950,387</b>	<b>39,876,448</b>
<b>Current liabilities</b>			
Trade and other payables	13	29,564,775	28,453,138
Dividend payable		79,546	8,117
Amounts due to customers for contract work		356,892	343,066
Derivative financial instruments		24,566	–
Tax liabilities		42,563	426,190
Short-term financing bills	14	2,960,000	2,900,000
Borrowings	15	16,688,580	16,257,821
Early retirement and supplemental benefit obligations	16	21,395	50,897
Provisions		16,727	25,060
		<b>49,755,044</b>	<b>48,464,289</b>
<b>Net current liabilities</b>		<b>(7,804,657)</b>	<b>(8,587,841)</b>
<b>Total assets less current liabilities</b>		<b>47,528,536</b>	<b>46,047,744</b>

# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Trade and other payables	13	4,891	4,034
Corporate bonds	18	2,494,093	2,492,782
Medium-term notes	19	5,756,343	5,755,339
Borrowings	15	8,576,267	7,931,426
Provisions		77,038	56,460
Deferred income		367,106	764,333
Early retirement and supplemental benefit obligations	16	293,942	266,371
Deferred income tax liabilities		523,815	608,842
		<b>18,093,495</b>	17,879,587
<b>NET ASSETS</b>			
		<b>29,435,041</b>	28,168,157
<b>Capital and reserves</b>			
Share capital	20	3,571,464	3,571,464
Reserves		8,803,188	7,833,772
Equity attributable to owners of the Company		12,374,652	11,405,236
Non-controlling interests		17,060,389	16,762,921
<b>TOTAL EQUITY</b>			
		<b>29,435,041</b>	28,168,157



# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company										Non-controlling interests RMB'000	Total equity RMB'000
	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		
<b>Six months ended 30 June 2014 (Unaudited)</b>												
At 1 January 2014 (Audited)	3,571,464	3,273,160	(1,435,542)	127,444	154,015	(46,869)	974,850	607,535	4,179,179	11,405,236	16,762,921	28,168,157
Profit for the period	-	-	-	-	-	-	-	-	371,940	371,940	491,679	863,619
Other comprehensive income (expenses) for the period:												
Items that will not be reclassified to profit or loss:												
Actuarial loss on defined benefit obligations	-	-	-	-	-	-	-	(9,022)	-	(9,022)	(1,639)	(10,661)
Income tax relating to actuarial loss on defined benefit obligations	-	-	-	-	-	-	-	1,513	-	1,513	253	1,766
Items that may be subsequently reclassified to profit or loss:												
Safety fund set aside	-	-	-	-	26,270	-	-	-	-	26,270	14,037	40,307
Utilisation of safety fund	-	-	-	-	(7,802)	-	-	-	-	(7,802)	(6,639)	(14,441)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	33,463	-	-	-	33,463	45,326	78,789
Loss on fair value changes of available-for-sale investments	-	-	-	-	-	-	(283,358)	-	-	(283,358)	(993)	(284,351)
Income tax relating to items that may be reclassified to profit or loss	-	-	-	-	-	-	70,787	-	-	70,787	149	70,936
<b>Total comprehensive income (expenses) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,468</b>	<b>33,463</b>	<b>(212,571)</b>	<b>(7,509)</b>	<b>371,940</b>	<b>203,791</b>	<b>542,173</b>	<b>745,964</b>
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(186,514)	(186,514)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(120,306)	-	(120,306)	(58,191)	(178,497)
Government contribution	-	-	-	-	-	-	-	957,360	-	957,360	-	957,360
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(71,429)	(71,429)	-	(71,429)
<b>At 30 June 2014</b>	<b>3,571,464</b>	<b>3,273,160</b>	<b>(1,435,542)</b>	<b>127,444</b>	<b>172,483</b>	<b>(13,406)</b>	<b>762,279</b>	<b>1,437,080</b>	<b>4,479,690</b>	<b>12,374,652</b>	<b>17,060,389</b>	<b>29,435,041</b>

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company										Non-controlling interests RMB'000	Total equity RMB'000
	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		
<b>Six months ended 30 June 2013 (Unaudited)</b>												
At 1 January 2013, as restated	3,571,464	3,273,160	(950,788)	121,630	114,381	(20,208)	1,205,026	268,482	3,894,625	11,477,772	15,819,444	27,297,216
Profit for the period	-	-	-	-	-	-	-	-	100,817	100,817	472,956	573,773
Other comprehensive income (expenses) for the period:												
Items that will not be reclassified to profit or loss:												
Actuarial (loss) gain on defined benefit obligations	-	-	-	-	-	-	-	(7,659)	-	(7,659)	250	(7,409)
Income tax relating to actuarial loss (gain) 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 on translation of financial statements of foreign operations	-	-	-	-	-	(11,541)	-	-	-	(11,541)	(15,027)	(26,568)
Loss on fair value changes of available-for-sale investments	-	-	-	-	-	-	(763,638)	-	-	(763,638)	(39,745)	(803,383)
Income tax relating to items that may be reclassified to profit or loss	-	-	-	-	-	-	188,726	-	-	188,726	5,963	194,689
<b>Total comprehensive income (expenses) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,332</b>	<b>(11,541)</b>	<b>(574,912)</b>	<b>(6,590)</b>	<b>100,817</b>	<b>(472,894)</b>	<b>436,260</b>	<b>(36,634)</b>
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, as restated	3,571,464	3,273,160	(1,280,250)	121,630	133,713	(31,749)	630,114	381,447	3,888,298	10,687,827	16,195,602	26,883,429

## 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 on changing of accounting standard of early retirement and supplemental benefit obligations.

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	2,805,236	1,644,021
Income tax paid	(605,796)	(458,194)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,199,440</b>	<b>1,185,827</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(690,184)	(2,233,144)
Purchase of prepaid lease payments	(147,710)	(77,044)
Purchase of investment properties	(18,436)	(9,000)
Purchase of intangible assets	(75,616)	(95,925)
Purchase of mining rights	(87,838)	(7,408)
Purchase of available-for-sale investments	(589)	(11,307)
Purchase of derivative financial instruments	(7,585)	–
Net cash outflow arising on acquisition of subsidiaries	–	(168,379)
Proceeds from disposals of property, plant and equipment	29,049	246,962
Proceeds from disposal of prepaid lease payments	3,644	3,500
Proceeds from disposal of available-for-sale investments	846	2,090
Proceeds from disposal of derivative financial instruments	6,553	–
Proceeds from disposals of associates	–	54,492
Dividends received from available-for-sale investments	3,950	1,479
Dividends received from associates	84,900	60,000
(Increase)/decrease in restricted bank balances	(480,019)	209,697
Interest received on bank deposits and loan receivables	69,779	89,015
(Increase)/decrease in loan receivables	(1,083)	37,497
Deposits paid for acquisition of subsidiaries	(436,662)	(138,000)
Payments for common control business combinations	–	(329,462)
Payments for other than common control business combinations	(58,431)	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,805,432)</b>	<b>(2,364,937)</b>

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
<b>FINANCING ACTIVITIES</b>		
Proceeds from new borrowings	12,030,337	10,144,072
Gross proceeds from issuance of medium-term notes	–	500,000
Gross proceeds from issuance of short-term financing bills	2,560,000	2,500,000
Repayment of short-term financing bills	(2,500,000)	–
Government grants received	315,358	487,452
Government contributions	669,070	5,860
Repayments of borrowings	(10,952,831)	(10,177,130)
(Payments)/received for (acquisition)/disposal of equity interest in subsidiaries	(178,497)	122,300
Dividends paid to non-controlling interests	(203,468)	(219,052)
Dividends paid	–	(1,692)
Interest paid	(1,060,727)	(960,551)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>679,242</b>	<b>2,401,259</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,073,250</b>	<b>1,222,149</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>7,270,055</b>	<b>9,235,267</b>
Effect of foreign exchange rate changes	76,883	(28,551)
	<b>8,420,188</b>	<b>10,428,865</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b> represented by:		
Bank balances and cash	<b>8,420,188</b>	<b>10,428,865</b>

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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 2014 to be the State Council of the PRC Government. 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 RMB7,804,657,000 as at 30 June 2014.

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 2014 by taking into consideration the following:

- At 30 June 2014, the Group has undrawn borrowings facilities available for immediate use and will not be expiring in the next twelve months from 30 June 2014 of approximately RMB9,542,355,000.

## 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 2014. 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 2013, 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, a business combination under common control was effected on 19 August 2013. The unaudited condensed consolidated financial information incorporates the financial information of the combining entity as if they had been combined from the date when the combining entity first came under the control of the controlling party.

The net assets of the combining entity 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 the combining entity from the earliest date presented or since the date when the combining entity 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 entity 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 3. PRINCIPAL 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

### Application of a new Interpretation and amendments to HKFRs (disclosure of a detailed list of the Interpretation and amendments to HKFRSs)

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC*) – Int 21	Levies

\* IFRIC represents the International Financial Reporting Interpretations Committee.

### Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company do not anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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.

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, clinker and commercial concrete
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 2014

	<b>Cement equipment and engineering services</b>	<b>Cement</b>	<b>High-tech materials</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
REVENUE					
External sales	11,249,110	10,777,023	3,382,387	–	25,408,520
Inter-segment sales	624,373	11,129	47,372	(682,874)	–
Total	<u>11,873,483</u>	<u>10,788,152</u>	<u>3,429,759</u>	<u>(682,874)</u>	<u>25,408,520</u>
Segment results	<u>559,725</u>	<u>1,404,527</u>	<u>293,846</u>	<u>(41,981)</u>	<u>2,216,117</u>
Unallocated operating income and expenses					(20,789)
Interest income					69,779
Finance costs					(1,085,788)
Share of results of associates					25,692
Share of results of joint ventures					<u>(13,739)</u>
Profit before tax					<u>1,191,272</u>



# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 4. SEGMENT INFORMATION (Continued)

### (a) Segment revenues and results (Continued)

Six months ended 30 June 2013 (restated)

	Cement equipment and engineering services	Cement	High-tech materials	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
REVENUE					
External sales	8,596,472	10,296,146	2,924,292	–	21,816,910
Inter-segment sales	<u>707,030</u>	<u>25,758</u>	<u>19,256</u>	<u>(752,044)</u>	<u>–</u>
Total	<u>9,303,502</u>	<u>10,321,904</u>	<u>2,943,548</u>	<u>(752,044)</u>	<u>21,816,910</u>
Segment results	<u>612,478</u>	<u>965,660</u>	<u>209,388</u>	(44,191)	1,743,335
Unallocated operating income and expenses					(25,884)
Interest income					88,517
Finance costs					(945,362)
Share of results of associates					(12,312)
Share of results of joint ventures					<u>(10,436)</u>
Profit before tax					<u>837,858</u>

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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 4. SEGMENT INFORMATION (Continued)

### (b) Segment assets

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

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cement equipment and engineering services	<b>20,693,878</b>	19,440,424
Cement	<b>48,002,083</b>	47,455,025
High-tech materials	<b>16,423,730</b>	16,703,183
Total segment assets	<b>85,119,691</b>	83,598,632
Eliminations	<b>(2,033,247)</b>	(2,059,380)
Unallocated assets	<b>14,197,136</b>	12,972,781
Consolidated assets	<b>97,283,580</b>	94,512,033

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 investments, 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 4. SEGMENT INFORMATION (Continued)

### (c) Other segment information

Six months ended 30 June 2014

	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)
<b>Amounts included in the measure of segment results:</b>					
Depreciation	135,540	953,414	486,225	989	1,576,168
Amortisation	8,776	69,230	24,477	117	102,600
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:</b>					
Share of results of associates	-	17,256	357	8,079	25,692
Share of results of joint ventures	-	-	(13,739)	-	(13,739)

Six months ended 30 June 2013 (restated)

	Cement equipment and engineering services RMB'000 (Unaudited)	Cement RMB'000 (Unaudited)	High-tech materials RMB'000 (Unaudited) (Restated)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited) (Restated)
<b>Amounts included in the measure of segment results:</b>					
Depreciation	111,147	941,605	288,620	304	1,341,676
Amortisation	7,502	44,682	13,965	4	66,153
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:</b>					
Share of results of associates	300	(12,173)	(424)	(15)	(12,312)
Share of results of joint ventures	-	-	(10,436)	-	(10,436)

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 5. FINANCE COSTS

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Interest expenses	1,080,395	957,370
Less: Amounts capitalised as construction-in-progress	(11,022)	(16,443)
	<b>1,069,373</b>	940,927
Net foreign exchange gains on bank borrowings	1,228	(1,983)
Discount charges on bank acceptance notes	15,187	6,418
Total finance costs	<b>1,085,788</b>	945,362

## 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% (2013: 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% (2013: 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC enterprise income tax	215,344	265,009
– Overseas taxation	6,479	2,127
	<hr/>	<hr/>
	221,823	267,136
Deferred income tax	105,830	(3,051)
	<hr/>	<hr/>
	327,653	264,085
	<hr/>	<hr/>

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Depreciation and amortisation		
– property, plant and equipment	1,570,719	1,336,858
– prepaid lease payments	54,975	36,236
– investment properties	5,449	4,818
– intangible assets	19,071	11,672
– mining rights	28,554	18,245
Impairment loss recognised in respect of trade and other receivables	79,353	100,959
Impairment loss recognised in respect of property, plant and equipment	2,375	–
Allowance for inventories (included in cost of sales)	12,080	2,587
Reversal of allowance for inventories (included in cost of sales)	(14,919)	(17,496)
Donations	1,454	8,293
Net gain on disposals of property, plant and equipment	(3,515)	(6,549)
Net gain on disposal of prepaid lease payments	(800)	(1,698)
Net loss on disposal of investment properties	1,236	–
Loss on disposal of intangible assets	4,030	–
Loss on written off of mining rights	22,750	–
Dividend income from available-for-sale investments	(3,950)	(1,479)
Waiver of other payables	(7,286)	(26,085)
Government grants	(120,344)	(209,038)

## 8. DIVIDENDS

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
2013 final dividend of RMB0.02 per share recognised as distribution during the reporting period (2013: 2012 final dividend of RMB0.03 per share)	71,429	107,144

No interim dividend was paid, declared or proposed during the six months ended 30 June 2014, nor has any dividend been proposed since the end of the interim reporting period (2013: Nil).

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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 2014 and 2013.

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited) (Restated)
Profit for the period attributable to owners of the Company (RMB'000)	371,940	100,817
Weighted average number of ordinary shares in issue ('000)	3,571,464	3,571,464
Basic earnings per share (RMB)	0.104	0.028

### (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 2014 and 2013.

## 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
<b>Six months ended 30 June 2014 (Unaudited)</b>						
Carrying values at 1 January 2014 (Audited)	45,210,186	3,985,011	176,004	721,844	512,945	50,605,990
Additions	1,526,880	147,710	18,436	75,616	87,838	1,856,480
Disposals	(25,534)	(2,844)	(1,236)	(4,030)	(22,750)	(56,394)
Depreciation and amortisation charged for the period	(1,570,719)	(54,975)	(5,449)	(19,071)	(28,554)	(1,678,768)
Impairment loss recognised in the unaudited condensed consolidated statement of profit or loss	(2,375)	-	-	-	-	(2,375)
Carrying values at 30 June 2014	45,138,438	4,074,902	187,755	774,359	549,479	50,724,933

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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
<b>Six months ended 30 June 2013</b>						
<b>(Unaudited and restated)</b>						
Carrying values at 1 January 2013 (Audited)	41,286,046	3,550,464	173,315	738,371	483,087	46,231,283
Additions	3,218,813	77,044	9,000	95,925	7,408	3,408,190
Attributable to acquisition of subsidiaries	332,241	5,141	–	130,500	–	467,882
Disposals	(240,413)	(1,802)	–	–	–	(242,215)
Depreciation and amortisation charged for the period	<u>(1,336,858)</u>	<u>(36,236)</u>	<u>(4,818)</u>	<u>(11,672)</u>	<u>(18,245)</u>	<u>(1,407,829)</u>
Carrying values at 30 June 2013	<u>43,259,829</u>	<u>3,594,611</u>	<u>177,497</u>	<u>953,124</u>	<u>472,250</u>	<u>48,457,311</u>

## 11. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARY

Balance as at 30 June 2014 of RMB436,662,000 represents non-refundable deposits of the following acquisitions:

RMB436,662,000 non-refundable deposits paid by Sinoma International Engineering Co., Ltd for the acquisition of 59.09% equity interests in Hazemag& EPR GmbH (“Hazemag”) pursuant to an agreement signed on 30 August 2013. The consideration is approximately RMB874,213,000. The acquisition has not been completed as of the date of these unaudited condensed consolidated financial information.



# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Trade receivables and retentions</b>		
Trade and bills receivables	<b>14,793,147</b>	14,158,039
Retentions	<b>160,243</b>	151,095
	<b>14,953,390</b>	14,309,134
Less: Impairment loss recognised	<b>(1,884,673)</b>	(1,811,755)
Trade receivables and retentions, net	<b>13,068,717</b>	12,497,379
<b>Loan receivables</b>		
Loan receivables	<b>125,328</b>	124,245
Less: Impairment loss recognised	<b>(54,961)</b>	(54,961)
Loan receivables, net	<b>70,367</b>	69,284
<b>Prepayments to suppliers and subcontractors, staff advances, deposits and other receivables</b>		
Prepayments to suppliers and subcontractors	<b>7,485,675</b>	7,584,700
Staff advances	<b>80,132</b>	78,242
Deposits	<b>156,331</b>	149,450
Other receivables	<b>606,302</b>	2,007,055
	<b>8,328,440</b>	9,819,447
Less: Impairment loss recognised	<b>(710,890)</b>	(704,455)
Prepayments to suppliers and subcontractors, staff advances, deposits and other receivables, net	<b>7,617,550</b>	9,114,992
Total trade and other receivables	<b>20,756,634</b>	21,681,655
Less: Non-current portion		
Retentions	<b>(79,799)</b>	(87,611)
Current portion	<b>20,676,835</b>	21,594,044

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 12. TRADE AND OTHER RECEIVABLES (Continued)

Refer to note 27 for details of trade and other receivables from related parties.

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

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Less than 6 months	<b>11,235,612</b>	10,473,452
6 months to 1 year	<b>1,156,753</b>	1,306,088
1 year to 2 years	<b>535,135</b>	520,306
2 years to 3 years	<b>121,897</b>	166,693
Over 3 years	<b>19,320</b>	30,840
	<b>13,068,717</b>	12,497,379

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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 13. TRADE AND OTHER PAYABLES

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Trade and bills payables</b>	<b>15,642,087</b>	15,517,827
<b>Deposits, advances, accruals and other payables</b>		
Prepayments from customers	11,427,233	10,725,497
Accrued payroll and welfare	455,431	432,333
Accrued social security costs	296,569	279,706
Other taxes	250,181	227,943
Accrued expenses	375,772	293,479
Deposits payable	189,710	173,174
Dividends payable to non-controlling interests by subsidiaries	169,875	148,196
Other payables	762,808	659,017
	<b>13,927,579</b>	12,939,345
Total trade and other payables	<b>29,569,666</b>	28,457,172
Less: Non-current portion	<b>(4,891)</b>	(4,034)
Current portion	<b>29,564,775</b>	28,453,138

Refer to note 27 for details of trade and other payables to related parties.

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

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 6 months	7,694,288	11,948,717
6 months to 1 year	5,483,515	2,668,255
1 year to 2 years	1,828,207	638,196
2 years to 3 years	446,466	157,272
Over 3 years	189,611	105,387
	<b>15,642,087</b>	15,517,827

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 14. SHORT-TERM FINANCING BILLS

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Short-term financing bills	<b>2,960,000</b>	2,900,000

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. ("Sinoma Cement") 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 paid on mature.

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 paid on mature.

On 21 March 2013 and 23 May 2013, Xinjiang Tianshan Cement Co., Ltd. ("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 interest is paid on mature.

On 9 October 2013, Tianshan Cement issued one-year short-term financing bill of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bill bears a fixed interest rate of 5.78% per annum and the principal together with the interest is payable on mature.

On 1 April 2014, the Company issued one-year short-term financing bill of face value at RMB1,500,000,000 in the PRC inter-bank bond market. The short-term financing bill bears a fixed interest rate of 5.60% per annum and the principal together with the interest is payable on mature.

On 29 April 2014, Tianshan Cement issued one-year short-term financing bills of face value at RMB500,000,000 in the PRC inter-bank bond market. The short-term financing bill bears a fixed interest rate of 5.97% per annum and the principal together with the interest is payable on mature.

On 4 April and 19 May 2014, Sinoma Cement issued two one-year short-term financing bills of face value at RMB260,000,000 and RMB300,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 6.00% and 5.74% per annum respectively and the principal together with the interest is payable on mature.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 15. BORROWINGS

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Non-current</b>		
Long-term bank borrowings		
– Secured (Note a)	<b>383,200</b>	826,200
– Unsecured	<b>7,041,096</b>	6,160,278
	<b>7,424,296</b>	6,986,478
Other borrowings		
– Secured (Note a)	<b>80,000</b>	–
– Unsecured	<b>1,071,971</b>	944,948
	<b>1,151,971</b>	944,948
Total non-current borrowings	<b>8,576,267</b>	7,931,426
<b>Current</b>		
Current portion of long-term bank borrowings		
– Secured (Note a)	<b>280,000</b>	267,740
– Unsecured	<b>655,818</b>	1,278,334
	<b>935,818</b>	1,546,074
Short-term bank borrowings		
– Secured (Note a)	<b>624,580</b>	1,091,497
– Unsecured	<b>12,615,249</b>	12,595,617
	<b>13,239,829</b>	13,687,114
Other borrowings		
– Unsecured	<b>2,512,933</b>	1,024,633
Total current borrowings	<b>16,688,580</b>	16,257,821
<b>Total borrowings</b>	<b>25,264,847</b>	24,189,247

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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 RMB2,521,733,000 and RMB301,270,000 as at 30 June 2014 (31 December 2013: RMB1,079,590,000 and RMB49,330,000) respectively.
- (b) The movements of borrowings are as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
At 1 January	<b>24,189,247</b>	25,030,046
Attributable to acquisition of subsidiaries	–	180,993
Proceeds from new borrowings	<b>12,030,337</b>	10,144,072
Repayments of borrowings	<b>(10,952,831)</b>	(10,177,130)
Net foreign exchange gains on borrowings	<b>(1,906)</b>	(1,983)
	<b>25,264,847</b>	25,175,998
At 30 June	<b>25,264,847</b>	25,175,998

## 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:

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Total liability in the unaudited condensed consolidated statement of financial position	<b>315,337</b>	317,268
Less: Current portion	<b>(21,395)</b>	(50,897)
	<b>293,942</b>	266,371

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
At 1 January	317,268	331,866
Interest cost	7,096	5,768
Remeasurements:		
– Adjustments for restrictions on the defined benefit asset	(399)	–
– Actuarial losses recognised in the period	11,060	6,305
– Past service cost, including losses on curtailments	1,707	18,035
Benefit paid	(21,395)	(24,738)
At 30 June	315,337	337,236

## 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 has been voided under the share appreciation right 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

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

On 2 September 2012, Mr. Tan Zhongming, an 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. During the six months ended 30 June 2014, no share appreciation rights were granted, exercised or expired. As at 30 June 2014, the expiry date of the outstanding share appreciation rights is three years and five months.

For the six months ended 30 June 2014, the Group has reversed liabilities previously recognised and recorded income of approximately RMB49,000 (For the six months ended 30 June 2013: reversed liability previously recognised and record income of approximately RMB753,000) 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 2013: 50%), risk free rate of 3.84% (For the six months ended 30 June 2013: 3.62%) and dividend yield of 1% (For the six months ended 30 June 2013: 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

	<b>30 June 2014</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Corporate bonds, at amortised cost	<b>2,494,093</b>	2,492,782

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

	<b>30 June 2014</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Medium-term notes, at amortised cost	<b>5,756,343</b>	5,755,339



# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 19. MEDIUM-TERM NOTES (Continued)

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

Date of issue	Principal RMB'000	Term	Contractual interest rate	Interest payment	Effective interest rate
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 2013,								
30 June 2013,								
31 December 2013 and								
30 June 2014	<u>2,276,523</u>	<u>2,276,523</u>	<u>130,793</u>	<u>130,793</u>	<u>1,164,148</u>	<u>1,164,148</u>	<u>3,571,464</u>	<u>3,571,464</u>

## 21. CHANGES IN THE FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS

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

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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 power 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 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)
	<u>143,911</u>

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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:*

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

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	<u>6,264</u>
	<u>(53,736)</u>

## 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. Revenue 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 on 1 January 2013, the total amount of revenue 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 six months ended 30 June 2013 would have been approximately RMB568,237,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Zhangye Julong been acquired on 1 January 2013, 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 an 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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 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)
	<hr/>
	221,949
	<hr/>

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)
	<hr/>
	-
	<hr/>

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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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	<u>36,282</u>
	<u>(114,643)</u>

#### *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. Revenue 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 on 1 January 2013 the total amount of revenue 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 six months ended 30 June 2013 would have been approximately RMB582,050,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had LNV Technology been acquired on 1 January 2013, 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

*For the six months ended 30 June 2014*

## **23. BUSINESS COMBINATIONS UNDER COMMON CONTROL**

The Group adopts merger accounting for common control combinations in respect of the following transaction occurred below.

On 19 August 2013, Sinoma Science & Technology, a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Nanjing Fiberglass R&D Institute Co., Ltd. ("NRDI") at a consideration of approximately RMB186,107,000. The acquisition has been completed on 19 August 2013.

The parent company of NRDI (Acquired Subsidiary) 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 entity as a result of the common control combination to achieve consistency of accounting policies.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 23. BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

Statements of adjustments for business combinations under common control on the Group's financial position as at 30 June 2013 and the results for the six months ended 30 June 2013 are summarised as follows:

	<b>The Group (after the changes of accounting policies and excluding the Acquired Subsidiary)</b>	<b>Acquired Subsidiary</b>	<b>Adjustment (Note)</b>	<b>The Group (after the changes of accounting policies and including the Acquired Subsidiary)</b>
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
<b>Six months ended 30 June 2013</b>				
Revenue	21,804,361	12,549	–	21,816,910
Profit (loss) before tax	838,797	(939)	–	837,858
Income tax expense	(264,085)	–	–	(264,085)
Profit (loss) for the period	574,712	(939)	–	573,773
<b>As at 30 June 2013</b>				
Non-current assets	52,379,363	50,726	–	52,430,089
Current assets	43,017,367	43,560	–	43,060,927
Total assets	95,396,730	94,286	–	95,491,016
Current liabilities	49,771,792	22,516	–	49,794,308
Non-current liabilities	18,805,205	8,074	–	18,813,279
Total liabilities	68,576,997	30,590	–	68,607,587
<b>NET ASSETS</b>	<b>26,819,733</b>	<b>63,696</b>	<b>–</b>	<b>26,883,429</b>
<b>Capital and reserves</b>				
Share capital	3,571,464	17,680	(17,680)	3,571,464
Reserves	7,054,198	44,485	17,680	7,116,363
Equity attributable to owners				
of the Company	10,625,662	62,165	–	10,687,827
Non-controlling interests	16,194,071	1,531	–	16,195,602
<b>TOTAL EQUITY</b>	<b>26,819,733</b>	<b>63,696</b>	<b>–</b>	<b>26,883,429</b>

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.



# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 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:

	Six months Ended 30 June 2013 RMB (Unaudited)
Reported figures before adjustments	0.028
Adjustments arising on common control combination	—
Restated figures after adjustments	0.028

## 24. CAPITAL COMMITMENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 '000 (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	237,213	703,023
– Prepaid lease payments	—	2,077
	<b>237,213</b>	<b>705,100</b>

## 25. 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- 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)
	30 June 2014	31 December 2013		
	RMB'000	RMB'000		
Foreign currency forward contracts classified as derivative financial instruments in the unaudited condensed consolidated statement of financial position	Assets: 7,070 and Liabilities: 24,566	Assets: 21,169 and Liabilities: Nil	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
Listed available-for-sale financial assets	1,544,267	1,829,356	Level 1	Quoted bid prices in an active market
Financial liabilities at fair value				
Liabilities for cash-settled share-based payments	49	113	Level 2	Black-scholes pricing model The key inputs are expected volatility (50%), risk-free rate (3.84% to 4.46%) and dividend yield (1%)

# Notes to the Unaudited Condensed Consolidated Financial Information

*For the six months ended 30 June 2014*

## **26. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

- (a) During the six months ended 30 June 2014, the Group has acquired property, plant and equipment amounting to approximately RMB286,689,000 which were included in trade and other payables as at 30 June 2014.
- (b) During the six months ended 30 June 2014, the Group has acquired property, plant and equipment amounting to approximately RMB536,492,000 which has been settled by bills receivables.
- (c) 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.
- (d) 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.

## 27. RELATED PARTY DISCLOSURES

Sinoma Group, the immediate parent of the Company, is owned and controlled by 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 state-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 2014 and 2013 and balances as at 30 June 2014, 31 December 2013 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 2014 and 2013. However, over 95% 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 2014, 31 December 2013. However, over 95% of the Group's borrowings were obtained from and over 85% of the Group's cash and cash equivalents are maintained with other state-owned enterprises.

In addition, as at 30 June 2014, 31 December 2013, 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.

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 27. 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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>Transactions with joint ventures (after elimination of the Group's proportionate interest in those joint ventures)</b>		
Revenue		
– Sales of goods or provision of services	16,231	18,465
– Interest income	–	495
Expenses		
– Purchases of goods or services	9,237	6,576
<b>Transactions with associates</b>		
Revenue		
– Sales of goods or provision of services	–	426
Expenses		
– Purchases of goods or services	466	3,788
<b>Transactions with non-controlling interests</b>		
Revenue		
– Sales of goods or provision of services	–	41
Expenses		
– Purchases of goods or services	934	10,865
– Rental expense	–	850
<b>Transactions with joint venture partners</b>		
Revenue		
– Sales of goods or provision of services	–	23

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 27. 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

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Trade and other receivables</b>		
Trade receivables due from		
– Joint ventures	<b>12,570</b>	7,319
– Associates	–	265
– Non-controlling interests	<b>16,711</b>	29,072
– Less: Impairment loss recognised	–	(2,566)
	<b>29,281</b>	34,090
Loan receivables due from		
– Joint ventures	–	57
Other receivables due from		
– Joint ventures	<b>627</b>	–
– Associates	–	4,116
– Less: Impairment loss recognised	–	(427)
	<b>627</b>	3,689
	<b>29,908</b>	37,836

# Notes to the Unaudited Condensed Consolidated Financial Information

For the six months ended 30 June 2014

## 27. 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)

	<b>30 June 2014</b>	31 December 2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Trade and other payables</b>		
Trade payables due to		
– Joint ventures	<b>11,105</b>	6,498
– Non-controlling interests	<b>16,422</b>	17,551
	<b>27,527</b>	24,049
Other payables due to		
– Non-controlling interests	<b>18,505</b>	30,086
	<b>46,032</b>	54,135

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.

### (iii) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term benefits	<b>4,607</b>	3,120
Post-employment benefits	<b>353</b>	180
	<b>4,960</b>	3,300

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

## 28. EVENTS AFTER THE REPORTING PERIOD

- (i) On 30 August 2013, Sinoma International Engineering Co., Ltd (“Sinoma International”), a non-wholly owned subsidiary of the Company, entered into a share transfer agreement with the shareholder of Hazemag & EPR GmbH (“Hazemag”) to acquire 59.09% equity interests in Hazemag at a total consideration of EUR104,000,000. The first step of the acquisition of 29.55% equity interests was completed on 3 July 2014.
- (ii) On 15 April 2014, the resolution regarding the share repurchase and cancellation from the Company was duly passed during the Annual General Meeting of Ningxia Building Materials Group Co., Limited (“Ningxia Building Materials”). Ningxia Building Materials was approved to repurchase and cancel 137,792 shares held by the Company at total consideration of RMB1. Thus, after the completion of the resolution, the total issued share capital of Ningxia Building Materials will be reduced from RMB478,318,834 to RMB478,181,042. The share repurchase and cancellation was completed on 25 August 2014.
- (iii) On 30 July 2014, Sinoma Science & Technology Co., Limited 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 5.39% per annum and the principal together with the interest thereon is payable on maturity of the bills.
- (iv) On 5 August 2014, Sinoma International issued one-year short-term financing bills of face value at RMB500,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.95% per annum and the principal together with the interest thereon is payable on maturity of the bills.
- (v) On 14 August 2014, Qinghai Qilianshan Cement Co., Ltd., a subsidiary of the Company, entered into the transfer agreement with Qinghai Kunlunshan Lime Industry Co., Ltd., a subsidiary of the Sinoma Group, pursuant to which, Qinghai Qilianshan Cement Co., Ltd. agreed to acquire the non-current assets owned by Qinghai Kunlunshan Lime Industry Co., Ltd. under the transfer agreement. For details, please refer to the announcement of the Company dated 14 August 2014 on the websites of the Hong Kong Stock Exchange and the Company.
- (vi) On 20 August 2014, Gansu Qilianshan Cement Group Company Limited issued five-year medium-term notes of face value at RMB500,000,000 in the PRC inter-bank bond market. The medium-term notes bear a fixed interest rate of 6.73% per annum and the interests are payable annually.

## 29. 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
“BBMG”	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
“Beijing CMST”	Beijing CMST Logistics Co., Ltd. (北京中儲物流有限責任公司), a limited liability company incorporated under the laws of the PRC
“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”, “we” 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
“Cosco Supply Chain”	Cosco Supply Chain Management Co., Ltd. (中遠供應鏈管理有限公司), a limited liability company incorporated 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 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

## Definitions

“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“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