CNBM

China National Building Material Company Limited*

(Stock Code:3323)

2014

Interim Report 中期報告

* For identification only

Financial and Business Highlights

	As at 30 June 2014	As at 31 December 2013	Growth rate
	(RMB in millions)		
Bank balances and cash	**15,054**	8,980	67.6%
Total assets	**310,550**	291,631	6.5%
Equity attributable to equity holders	**36,070**	35,378	2.0%

	For the six months ended 30 June 2014	2013	Growth rate
	(RMB in millions)		
Revenue	**55,781**	50,531	10.4%
Profit after taxation	**2,878**	2,044	40.8%
Profit attributable to equity holders of the Company	**1,798**	1,352	33.0%
Net cash flows from operating activities	**7,487**	4,568	63.9%
Sales volume of cement and clinker *(in thousand tonnes)*	**133,883**	124,384	7.6%
— China United	**30,987**	30,582	1.3%
— South Cement	**55,043**	51,872	6.1%
— North Cement	**8,449**	8,080	4.6%
— Southwest Cement	**38,729**	32,902	17.7%
Commercial concrete sales volume *(in thousand m^3)*	**41,407**	35,366	17.1%
—China United	**16,734**	12,810	30.6%
—South Cement	**22,480**	21,133	6.4%
—North Cement	**575**	323	78.0%
—Southwest Cement	**669**	488	37.1%
Gypsum board *(in million m^2)*	**641**	527	21.6%
Revenue from engineering service *(RMB in millions)*	**2,983**	2,771	7.6%
Rotor blade *(in blade)*	**1,584**	1,174	34.9%
Glass fiber yarn *(in thousand tonnes)*	**472**	392	20.4%
Selling price			
Cement sold by China United *(RMB per tonne)*	**261.9**	247.1	6.0%
Clinker sold by China United *(RMB per tonne)*	**236.7**	221.7	6.8%
Commercial concrete sold by China United *(RMB per m^3)*	**313.4**	299.1	4.8%
Cement sold by South Cement *(RMB per tonne)*	**254.1**	247.5	2.7%
Clinker sold by South Cement *(RMB per tonne)*	**230.7**	213.4	8.1%
Commercial concrete sold by South Cement *(RMB per m^3)*	**330.1**	299.8	10.1%
Cement sold by North Cement *(RMB per tonne)*	**324.6**	336.0	–3.4%
Clinker sold by North Cement *(RMB per tonne)*	**263.4**	283.9	–7.2%
Commercial concrete sold by North Cement *(RMB per m^3)*	**372.1**	389.1	–4.4%
Cement sold by Southwest Cement *(RMB per tonne)*	**257.4**	250.6	2.7%
Clinker sold by Southwest Cement *(RMB per tonne)*	**245.5**	223.5	9.8%
Commercial concrete sold by Southwest Cement *(RMB per m^3)*	**304.4**	290.0	5.0%
Gypsum board			
—BNBM *(RMB per m^2)*	**6.79**	7.04	–3.6%
—Taishan Gypsum *(RMB per m^2)*	**4.63**	4.85	–4.5%
Rotor blade *(RMB per blade)*	**401,500**	382,300	5.0%

CNBM

Contents

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

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

Shareholders may at any time send their requests to receive the interim report and/or to change their choices of the means of receipt of Corporate Communications by notice in writing to the H share registrar of the Company, Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the H share registrar of the Company at cnbm3323-ecom@hk.tricorglobal.com.

DIRECTORS:

Executive Directors

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

Non-executive Directors

Guo Chaomin
Huang Anzhong
Cui Lijun

Independent Non-executive Directors

Qiao Longde
Li Decheng
Ma Zhongzhi
Shin Fang
Wu Liansheng

STRATEGIC STEERING COMMITTEE

Song Zhiping *(Chairman)*
Qiao Longde
Cao Jianglin

NOMINATION COMMITTEE

Qiao Longde *(Chairman)*
Li Decheng
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Shin Fang *(Chairman)*
Li Decheng
Song Zhiping

AUDIT COMMITTEE

Wu Liansheng *(Chairman)*
Ma Zhongzhi
Cui Lijun

SUPERVISORS:

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

Secretary of the Board:	Chang Zhangli
Joint Company Secretaries:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorised Representatives:	Song Zhiping Chang Zhangli
Alternate Authorised Representative:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Qualified Accountant:	Pei Hongyan (FCCA)
Registered Address:	No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Principal Place of Business:	21st Floor Tower 2, Guohai Plaza No.17 Fuxing Road Haidian District, Beijing The PRC

Postal Code:	100036
Place of Representative Office in Hong Kong:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers:	Bank of Communications Co., Ltd. Agricultural Bank of China Limited China Construction Bank Corporation
PRC Legal Adviser:	Jingtian & Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District, Beijing The PRC
Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
International Auditor:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong
Domestic Auditor:	Baker Tilly China Certified Public Accountants Building 12, Foreign Culture and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Stock Code:	3323
Company Website:	http://cnbm.wsfg.hk www.cnbmltd.com

Definitions

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

"Baishan Cement"	金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"BNBM Green Residence"	北新綠色住宅有限公司 (Beijing New Building Material Green Residence Company Limited)
"BNBM Residence"	北新住宅產業有限公司 (Beijing New Building Material Residential Industry Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Materials Group Company Limited)
"BNBM Homes"	北新房屋有限公司 (BNBM Homes Company Limited)
"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)
"BNBM Taicang"	太倉北新建材有限公司 (BNBM Taicang Company Limited)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Co., Ltd.)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)

"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd.)
"CNBM Trading"	中建材集團進出口公司 (China National Building Materials Import & Export Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission)
"Dequan Wangqing"	吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co., Ltd.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"Eight Working Methods"	"Five C", KPI management, zero inventory, "PCP", benchmark management and optimization, counselor system, core profit-generating regions and market competition and cooperation
"EPC"	turn-key project services that include design, procurement and construction
"Environmental Protection Research Institute"	江蘇中建材環保研究院有限公司 (Jiangsu CNBM Environmental Protection Research Institute Company Limited)
"Five C"	marketing centralization, procurement centralization, financial centralization, technical centralization and investment decision-making centralization

"GDP"	gross domestic product
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guangxi South"	廣西南方水泥有限公司 (Guangxi South Cement Company Limited)
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Hangzhou South Cement"	杭州南方水泥有限公司 (Hangzhou South Cement Company Limited)
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"methods of increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)
"Jetion Solar"	中建材浚鑫科技股份有限公司 (Jetion Solar(China) Co., Ltd.)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"KPI"	Key performance index

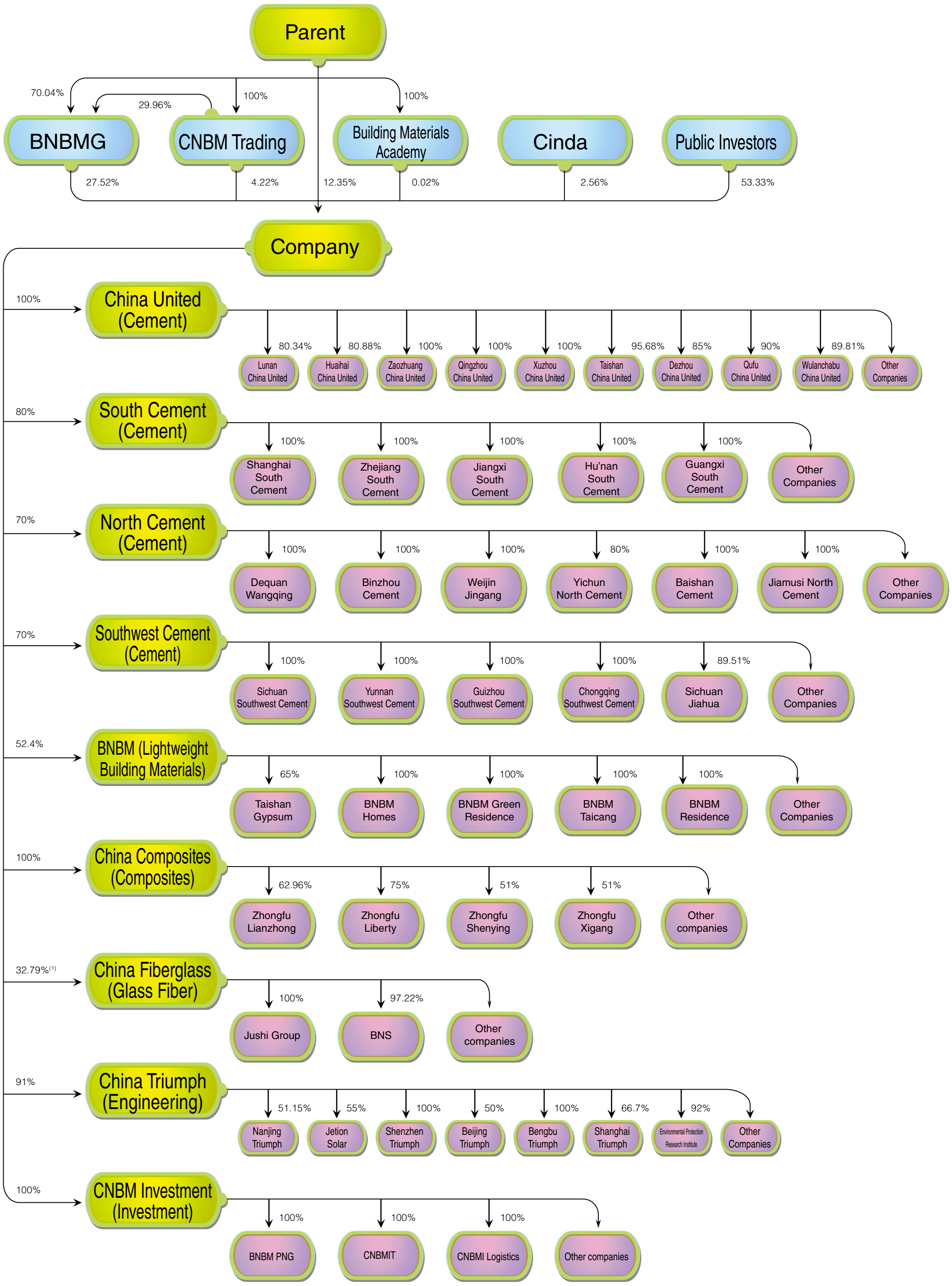
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"MIIT"	中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of the People's Republic of China)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"NBS"	中國國家統計局 (National Bureau of Statistics of China)
"NDRC"	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the People's Republic of China)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"Parent"	中國建築材料集團有限公司 (China National Building Materials Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PCP"	PCP, Price-Cost-Profit
"PRC"	the People's Republic of China
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2014 to 30 June 2014
"RMB"or "Renminbi"	Renminbiyuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanghai Triumph"	上海凱盛節能工程技術有限公司 (Shanghai Triumph Energy Saving Engineering Technology Company Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)

"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Six-star Enterprise"	enterprise with desirable operating result, delicacy management, leading environmental protection, well-known brand, advanced simplicity, safety and stability
"Sichuan Jiahua"	四川嘉華企業(集團)股份有限公司 (Sichuan Jiahua Enterprise (Group) Co., Ltd.)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"State", "state" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the members of the supervisory committee of the Company
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Three Formulations"	Formulation of functions, formulation of structure and formulation of staffing
"WeijinJingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)

"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Liberty"	常州中複麗寶第複合材料有限公司 (Changzhou China Composites Liberty Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限公司 (Zhongfu Shenying Carbon Fiber Company Limited)
"preparation, meticulosity, refinement, solidity"	making deployment of operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the markets and features; advancing management enhancement, meticulous organisation and delicacy management to improve quality and profitability; working solidly with sound dedication to enhance the basis for development and strengthen foundation

Shareholding Structure Of The Group

The simplified structure of the Group as at 30 June 2014 is set out as below:



Notes:

- The aforementioned percentages are rounded to 2 decimal places.
- The sum of the percentages of the holdings may differ from the total amount thereof due to rounding.

(1) As at the date of this report, the shareholding of the Company in China Fiberglass was 33.82%.

The summary of financial results of the Group for the six months ended 30 June 2014 and 30 June 2013 is as follows:

	For the six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	(RMB in thousands)	
Revenue	**55,780,666**	50,531,401
Gross profit	**14,897,740**	11,597,746
Profit after taxation	**2,878,453**	2,044,117
Profit attributable to equity holders of the Company	**1,797,833**	1,352,262
Distribution made to the equity holders of the Company	**863,844**	836,849
Earnings per share-basic *(RMB)*(1)	**0.333**	0.250

Notes:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2013 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2014.

	30 June 2014	31 December 2013
	(unaudited)	(audited)
	(RMB in thousands)	
Total assets	**310,550,032**	291,631,175
Total liabilities	**255,773,379**	238,055,276
Net assets	**54,776,653**	53,575,899
Non-controlling interests	**18,706,747**	18,197,476
Equity attributable to equity holders of the Company	**36,069,906**	35,378,423
Net assets per share — weighted average *(RMB)*(1)	**6.68**	6.55
Debt to assets ratio(2)	**58.0%**	58.4%
Net debt ratio(3)	**301.3%**	300.9%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2013 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2014.

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

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

Business Highlights

The summary of major operating data of each segment of the Group for the six months ended 30 June 2014 and 30 June 2013 is set out below:

CEMENT SEGMENT

China United

	For the six months ended 30 June	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**23,970**	22,030
Production volume-clinker *(in thousand tonnes)*	**26,210**	24,080
Sales volume-cement *(in thousand tonnes)*	**21,080**	19,542
Sales volume-clinker *(in thousand tonnes)*	**9,907**	11,040
Unit selling price-cement *(RMB per tonne)*	**261.9**	247.1
Unit selling price-clinker *(RMB per tonne)*	**236.7**	221.7
Sales volume-commercial concrete *(in thousand m^3)*	**16,734**	12,810
Unit selling price-commercial concrete *(RMB per m^3)*	**313.4**	299.1

South Cement

	For the six months ended 30 June	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**43,360**	43,201
Production volume-clinker *(in thousand tonnes)*	**42,608**	40,022
Sales volume-cement *(in thousand tonnes)*	**41,464**	41,122
Sales volume-clinker *(in thousand tonnes)*	**13,579**	10,750
Unit selling price-cement *(RMB per tonne)*	**254.1**	247.5
Unit selling price-clinker *(RMB per tonne)*	**230.7**	213.4
Sales volume-commercial concrete *(in thousand m^3)*	**22,480**	21,133
Unit selling price-commercial concrete *(RMB per m^3)*	**330.1**	299.8

North Cement

	For the six months ended 30 June	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**5,675**	5,325
Production volume-clinker *(in thousand tonnes)*	**7,135**	7,135
Sales volume-cement *(in thousand tonnes)*	**5,518**	5,267
Sales volume-clinker *(in thousand tonnes)*	**2,931**	2,813
Unit selling price-cement *(RMB per tonne)*	**324.6**	336.0
Unit selling price-clinker *(RMB per tonne)*	**263.4**	283.9
Sales volume-commercial concrete *(in thousand m^3)*	**575**	323
Unit selling price-commercial concrete *(RMB per m^3)*	**372.1**	389.1

CEMENT SEGMENT *(CONTINUED)*

Southwest Cement

	For the six months ended 30 June	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**36,400**	31,498
Production volume-clinker *(in thousand tonnes)*	**28,286**	24,231
Sales volume-cement *(in thousand tonnes)*	**37,268**	30,434
Sales volume-clinker *(in thousand tonnes)*	**1,461**	2,468
Unit selling price-cement *(RMB per tonne)*	**257.4**	250.6
Unit selling price-clinker *(RMB per tonne)*	**245.5**	223.5
Sales volume-commercial concrete *(in thousand m^3)*	**669**	488
Unit selling price-commercial concrete *(RMB per m^3)*	**304.4**	290.0

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the six months ended 30 June	
	2014	2013
Gypsum boards - BNBM		
Production volume *(in million m^2)*	**105.3**	87.5
Sales volume *(in million m^2)*	**109.4**	89.4
Average unit selling price *(RMB per m^2)*	**6.79**	7.04
Gypsum boards - Taishan Gypsum		
Production volume *(in million m^2)*	**539.5**	439.1
Sales volume *(in million m^2)*	**532.0**	437.4
Average unit selling price *(RMB per m^2)*	**4.63**	4.85

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

	For the six months ended 30 June	
	2014	2013
Rotor blade		
Production volume *(in blade)*	**1,646**	1,254
Sales volume *(in blade)*	**1,584**	1,174
Average unit selling price *(RMB per blade)*	**401,500**	382,300

The Group is mainly engaged in cement, lightweight building materials, glass fiber, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity as at 30 June 2014), the Group is:

- the largest cement producer in the world;
- the largest commercial concrete producer in the world;
- the largest gypsum board producer in the world;
- the largest rotor blade producer in China;
- a leading glass fiber producer in the world through China Fiberglass, an associate of the Company;
- an international engineering firm that provides design and EPC services of glass and cement production lines in China, designed and/or constructed over 50% of the float glass production lines in China.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

Complex and volatile situation was seen both at home and abroad in the first half of 2014 when economic development faced great challenge caused by increasing uncertain factors in economic operation. Adhering to the general tone of making progress while ensuring stability, the central government of China adopted innovative ideas and methods in macro-control with emphasis on pre-adjustment and fine-tuning appropriately and timely. With focus on certain prominent contradictions and problems, great efforts were made to facilitate economic development and structural adjustment through comprehensive and in-depth reform. The national economy showed moderate but stable growth and the structural adjustment also achieved stable progress. As compared with the same period of last year, the GDP of China increased by 7.4%, as well as investments in fixed assets, infrastructure and real estate development increased by 17.3%, 25.1% and 14.1% respectively in the first half of the year. Due to weak demand, severe overcapacity, cyclical adjustment and other factors, the production growth of major products such as cement declined significantly and the profit of the building materials industry maintained relatively rapid but with a slow growth.

2014 is a year of deep management integration for the Group. With the best effort by overcoming complicated macro-situation, severe overcapacity in the industry, slower growth in demand and tightened credit policy, the group comprehensively pushed forward “integration and optimization, profit raising and gearing reduction”. Adhering to the three main lines of “price stabilization, cost reduction and receivables collection”, the Group implemented the “Eight Working Methods” based on the principle of “preparation, meticulosity, refinement, solidity” to establish “Six-star Enterprise” and solidly carried out production and operation, management integration, consolidation and restructuring as well as capital operation, which laid down a foundation for achieving the target of the year. In the first half of the year, operation indicators of the Group showed stable and improving trend. The Group’s sales and prices of main products increased steadily while the costs continued to decline. Both the revenue and profit of the group recorded significant growth. Compared with the same period last year, the sales volume of cement and clinker of the Group increased by 7.6% to 133.9 million tonnes, the sales volume of commercial concrete increased by 17.1% to 41.4 million m^3 and the sales volume of gypsum board increased by 21.6% to 641 million m^2. The revenue of the Group amounted to RMB55,780.7 million, representing a 10.4% increase year on year. Profit attributable to equity holders of the Group amounted to RMB1,797.8 million, representing a 33.0% increase year on year.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT

Review of the cement industry in the PRC in the first half of 2014

In the first half of 2014, given multiple factors including slower growth in investments in fixed assets especially the investment in real estate development in China as well as frequent rainfall, the growth in cement demand slowed down significantly. The total production of cement in China was 1.14 billion tonnes, with a year-on-year increase of 3.6%. Due to lackluster demand in the traditional peak season, cement price experienced a fall in the second quarter. However, benefited from the relatively high price level at the beginning of the year, the overall cement price of China in the first half of the year was higher than that in the same period of last year. In addition, the profit of the cement industry demonstrated a prominent improvement with coal price reaming low.

The top priority of the adjustment of industrial structure was given to solving overcapacity by the central government of China. It was proposed that no additional capacity would be introduced in the five major industries including cement and steel industries by the year of 2017. On the other hand, the government of China continued to accelerate elimination of obsolete capacity with the publication of this year's list of cement backward capacity to be phased out by MIIT, totally approximately 85 million tonnes. With the issue of Decisions of the State Council on Further Optimizing Market Environment of Merger and Restructuring of Enterprises (《國務院關於進一步優化企業兼併重組市場環境的意見》), the administrative approvals in respect of the merger and restructuring of listed companies will be streamlined and simplified by the CSRC, which will serve as an essential policy guidance on facilitating overcapacity compression and the elimination of obsolete capacity through merger and restructuring of enterprises. With the support of various policies, newly-added clinker capacity decreased by 8.0% year on year to 31.06 million tones whilst the investment in cement continued to decline and recorded a decrease of 12.2% year on year in the first half of the year. (Sources: NBS, MIIT, State Council, CSRC and Cement Association of China (中國水泥協會))

Review of the cement segment of the Group in the first half of 2014

The cement segment of the Group proactively coped with the challenge posed by the slower growth in cement demand and the severe overcapacity by comprehensively carrying out deep management integration and actively implementing the "Eight Working Methods", in a bid to improve quality and increase efficiency. In adherence to the business ideology of "PCP", the Group conducted marketing by fully leveraging its advantages of economic scales and the core profit-generating regions and insisted on sales-driven production to facilitate the sound development of the market. The cost and expense saving plan was comprehensively implemented while the "Five C" management, lean production and delicacy management continued to be promoted to realize cost reduction and profit raising. Besides, the Group continued to carry forward with integration of organization structure and the concept of "Three Formulations" pursuant to the principle of "simplified organization and capable personnel" to promote management consolidation in small regions. On the other hand, the Group strengthened its efforts on receivables collection to improve the quality of payment collection and strengthened inventory management to improve efficiency in capital using. The Group optimized the construction of the core profit-generating regions and also actively developed new models for consolidation and restructuring to increase market shares and control through the cooperation models of equity participation and leasehold.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

China United

Confronted with the regional overcapacity, China United insisted on the business ideology of "PCP", put marketing as the primary task of production and operation, promoted deep integration of market resources and refined the structure of sales, so as to raise prices steadily. China United also enhanced the market synergy between the cement business and the commercial concrete business to extend the industrial chain and improve the comprehensive profitability of enterprises.

China United further conducted deep management integration and promoted the "Three Five" management. Through closely monitoring the KPI and cost reduction plan, it strengthened benchmarking to reduce the energy consumption index to the utmost extent and enhance operational efficiency effectively. It improved operation synergy between the cement and the commercial concrete business through optimizing production procedures to reduce cost and save expenses. Utilizing the advantage of economic scale, China United strengthened centralized bidding procurement of coal and other materials and further controlled the inventory of raw materials, which reduced procurement cost continuously. It carried forward informatization of finance and improved standard of centralized control. It also put more efforts on the management of receivables as part of the efforts on preventing marketing risks.

China United optimized construction of the core profit-generating regions continuously. Through equity participating and other ways of restructuring, it enhanced the strategic cooperation with big enterprises in the core regions to improve market control and discourse power.

South Cement

Notwithstanding the declined growth in real estate investment, long rainy season and concentrated commissioning of new production capacity in certain regions, South Cement firmly implemented the business ideology of "PCP", strengthened marketing, arranged production reasonably and controlled product inventory effectively, resulting in a year-on-year increase of product price. It also promoted market consolidation, intensified developing core market and major projects market, in a bid to stabilize market shares.

South Cement conducted management integration comprehensively by promoting management mergers of member enterprises to streamline management levels and reduce management members, which resulted in a decline in labor costs and an improvement in labor productivity. It accelerated the organizational and regional integration of commercial concrete business and strengthened centralized management of key business. Leveraging on lean production and delicacy management, it was able to deepen benchmark management and optimize energy consumption index. Relying on the strength of centralized procurement, it lowered purchase prices effectively. It further carried out informationization in a bid to deepen finance and business centralization. Meanwhile, it strengthened receivables management to prevent marketing risk.

South Cement steadily promoted consolidation and restructuring and project construction to optimize industrial layout. It also accelerated consolidation of mines and logistics, which brought about the benefits of resource integration gradually and improved the sustainable development of enterprises.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

North Cement

Confronted with the challenges of weak demand resulted from the big slump of the fixed asset investment in the region, North Cement firmly adhered to the “PCP” business ideology, actively propagated and promoted staggering peak production to protect the healthy development of the regional market. It enhanced marketing and adjusted its sales strategies based on the market. North Cement also provided good sales service of the key projects, proactively maintained and expanded its customer base to consolidate its market shares.

North Cement promoted deep management integration comprehensively. In adherence to the principle of “simplified organization and capable personnel”, its competitive advantages have gradually emerged through integrating and optimizing its regional markets to increase operational efficiency and sales centralization. Through implementation of the “Five C” management, North Cement deepened its standard benchmark optimization and the counselor system. It intensified centralized management of technology and equipments and promoted delicacy management and lean production, which effectively increased running efficiency of equipments and reduced energy consumption standard as well as production costs. In addition, it optimized construction of centralized procurement system and decreased coal procurement costs through its cooperation with large coal enterprises. North Cement also reinforced centralized management of capital and financing to improve efficiency of capital operation, which also provide the guarantee of operation and development.

North Cement promoted the lease of grinding stations to realize the match of kilns and grinding stations in the core profit-generating regions. Thus, it effectively expanded the industrial chain and improved the profitability through the reasonable allocation of cement kilns, grinding stations and commercial concrete.

Southwest Cement

Confronted with the adverse situations of severe overcapacity and heavy rainfall weather, Southwest Cement adhered to the “PCP” business ideology and enhanced marketing by strengthening channel construction and optimizing sales structure. Therefore, both of its sales and price witnessed improvement with the increasing market shares and bargaining power.

Southwest Cement promoted deep management integration. Adhering to the principle of “simplified organization and capable personnel”, it proceeded with the “three-to-two” regional integration. This involved the combination of the original north and south Sichuan operation centers into Sichuan Southwest Cement and redistributing management of certain enterprises from the original north Sichuan operation center to Chongqing Southwest Cement, by which it developed the effect of collaborative management. The continuing efforts on optimizing the work of “Three Formulations” to improve operation efficiency. Moreover, it intensified centralized procurement through establishment of the strategic cooperation relationship with large suppliers to reduce procurement prices of raw materials. Through the counselor system and benchmark management, it also deeply carried out lean production and delicacy management, strengthened technology upgrade and implemented the incentive mechanism of cost reduction and profit raising, in a bid to lower production cost. It increased efficiency of capital use significantly by virtue of intensification of capital centralized management and cash flow management, which resulted in an effective control of account receivables proportion.

In accordance with the principle of optimization of the core profit-generating regions, Southwest Cement steadily proceeded with consolidation and restructuring and project construction.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the Group's lightweight building materials business in the first half of 2014

BNBM insisted on implementing its strategy of "focusing on regions, focusing on market" and the "PCP" business ideology to realize the steady growth in sales in Dragon and Taishan Gypsum board, which made continuously increase in profitability of enterprises.

BNBM insists on the strategy of seizing the prominent position and makes increasing efforts on marketing to continuously intensify branding construction. Through the new media marketing, the regional influence of the product of company was enhanced. It also deepened the channel develpoment and enriched its product strategies to continuously expand its market shares in the engineering project regions, which could further strengthen its leading position in the industry.

Through promoting deep management integration, BNBM transformed the departments into full regional companies with products and full businesses to establish the core competitiveness. Moreover, it made great endeavors to management enhancement and benchmark optimization management to realize reduction in expenses, consumption and costs.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENTS

Review of the Group's composite materials business in the first half of 2014

Seizing the favorable opportunities of gradual market recovery in the wind power industry after adjustment, China Composites conducted reasonable resources allocation and put great efforts on launching high-end products. In addition, it accelerated the development of new customer base and strived to exploit the international market to secure its leading position in the industry. Through promoting the development of new energy, new material and other advantageous industries, China Composites enhanced technology development to facilitate transformation and upgrading of enterprises. The carbon fiber project received capital support of state-owned funds and is proceeding in an orderly way at present. China Composites also intensified management improvement, which effectively reduced all kinds of expenses.

Review of the Group's glass fiber business in the first half of 2014

Leveraging on the trend of industry recovery after adjustment, China Fiberglass reinforced structural adjustment and promoted resource integration. It devoted greater efforts to innovating products, increasing technical innovation level and implementing energy saving and emission reduction to realize green production. Furthermore, it endeavors to develop new markets, new customers and new domains, and continued to carry out the "methods of increasing, saving and reducing" in order to reduce costs.

It steadily implemented the "going out" strategy. The project of an alkali-free glass fiber pool kiln wiredrawing production line with an annual capacity of 80,000 tonnes in Egypt successfully reached the expected production target and standard, which opened a new era of construction of the overseas large production line of China Fiberglass.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering services business in the first half of 2014

With focus on the core businesses such as "glass, cement and new energy", China Triumph made continuous effort to achieve "sophistication, elaboration and powerfulness" while continuously improving the added value of engineering services by extending industrial chain step by step and actively broadening new businesses for "civil architecture and information services". It also make greater efforts on the research and development of new technology and product and further implemented the "going out" strategy to facilitate the adjustment, transformation and upgrading of industrial structure. In order to promote the green industry, nitrogen oxide emission reduction and residual heat electricity generation were vigorously innovated, developed and used. China Triumph also filled in gaps in high-end dry desulfurization and semi-dry desulfurization. In addition, deep management integration was strengthened when profitability of enterprises was improved through reform and innovation and cost control.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Looking into the second half of 2014, due to the adjustment period of real estate market, domestic economic growth is still under downward pressure while basic material industry faces great challenges. In adherence to the general tone of making progress while ensuring stability, the central government of China will strictly follow the basic idea of stable macro policy, flexible micro policy and social policy with focus on lower class. It will maintain continuity and stability of macro policy, adopt innovative ideas and method in macro-control with pre-adjustment and fine tuning appropriately and timely and more attention on directional adjustment and control. These will help to consolidate the stable and good momentum of economy and ensure the continuous and sound development of economy and society. On one hand, as the "micro stimulation" measures such as quantitative easing and reducing social financing cost were further taken, greater support will be made by the government of China on the construction of key projects including railways, highways, water conservancy and shantytowns innovation. In addition, the second half of the year will usher the traditional peak season of the building materials industry, which will drive up the market demand. On the other hand, based on the rigorous control over capacity expansion, the central government of China will promulgate a series of policies and measures in relation to obsoleteness of low grade cement and promotion of merger and restructuring, which will ease the overcapacity to certain extent and further improve the relation between supply and demand in the building materials industry.

Pursuant to the working thought of "integration and optimization, profit raising and gearing reduction'', the Group will adhere to the principle of "increase in inventory and improvement in increment", continuously focus on "price stabilization, cost reduction and receivables collection", implement the "Eight Working Methods" and carry out operation and deep management integration with an aim of being a "Six-star Enterprise". The Group will solidly proceed with capital operation to optimize debt structure and lower gearing ratio while steadily carrying forward consolidation and restructuring and project construction to optimize the industrial layout.

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

CEMENT SEGMENT

Insisting on the "PCP" business ideology, the cement segment of the Group will enhance marketing to achieve both increase in sales volume and price. With continuous progress in deep management integration, it will implement benchmark optimization, carry out the cost and expense saving plan comprehensively, strengthen lean production and delicacy management, improve the "Five C", and optimize the organizational structure and personnel allocation to achieve cost reduction and profit raising. Receivables management and inventory of raw materials will be intensified to effectively prevent and control risks. With focus on optimization of core profit-generating regions, new models of restructuring such as exchange, joint venture and leasehold will be proactively developed to consolidate market shares.

China United

China United will insist on the "PCP" business ideology, enhance marketing and improve the conformance of coordination between production and sales. Deep management integration will be carried out comprehensively while improving the "Five C" management. It will also promote the implementation of counselor system and further conduct "simplified organization and capable personnel". Great efforts will be made on facilitating the application of advanced technology while energy consumption and expenses will be under strict control with increased efforts on centralized procurement, so as to achieve cost reduction and profit growth by leveraging scale advantage. The capability of receivables recovery will be reinforced to guard against marketing risks. Emphasis will be laid on optimizing the core profit-generating regions and enhancing the market synergy between the cement, aggregate and commercial concrete business.

South Cement

South Cement will persistently enhance "marketing, deep management integration and construction of core profit-generating regions, and firmly implement the business ideology of "PCP" through arranging enterprises to carry out production in an orderly manner based on market demand and situation of competition and cooperation. Meanwhile, it will accelerate integration of organizational structure and commercial concrete business and innovate the operating mechanism to prevent receivables risk. It will also deepen lean production and delicacy management for technology upgrade, enhance procurement centralization and finance centralization, improve evaluation and management of performance and implement the cost and expense saving plan. With the focus on the core profit-generating regions, it will proceed with layout optimization, project construction, consolidation of mines and logistics and construction of aggregate bases in order to improve its competitiveness.

North Cement

North Cement will firmly implement the business ideology of "PCP" through reinforcing marketing, stabilizing and improving market shares. It will strengthen "Five C" management, and consistently optimize centralized procurement and materials management to reduce procurement costs of raw materials and fuel. In addition, North Cement will deeply promote the activities of cost saving and consumption reduction, improve production, operation and techniques, promote applications of energy-saving and emission reduction technologies and enhance efficiency of the use of resources in the enterprise. Moreover, it will reinforce the management of receivables. Based on the clinker production lines, North Cement will strengthen reasonable arrangement of kilns, grinding stations and commercial concrete in the core profit-generating regions to improve the profitability of enterprises.

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

CEMENT SEGMENT *(Continued)*

Southwest Cement

Southwest Cement will firmly implement the business ideology of "PCP" to promote the healthy development in the regional market and reinforce management of sales foundations and management of channels to increase market shares. It will further optimize organizational structures and staff to improve efficiency of production and management. By taking advantages of centralized procurement, it will actively introduce supply channels to reduce supply levels and procurement price of raw materials and fuel. In addition, it will intensify technology upgrade to reduce production cost. Meanwhile, it will continue to strictly manage and monitor receivables and strengthen the management of inventory and supply chains for the purpose of realizing the reasonable use of capital. Southwest Cement will proceed with consolidation and restructuring and project construction in the core profit-generating regions.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Focusing on the market and strenthening marketing development, BNBM will push forward delicacy management, management integration and enhancement and will also carry out technological innovation comprehensively. Through reinforcing the development of the brand, the brand value, profitability and the core competitiveness will be further improved.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENTS

Composite materials business

With the support of the idea of "technological improvement and technological innovation", China Composites will strengthen the main business by actively exploring the related market of carbon fiber downstream products, accelerate the development of predominant industries including new energy and new materials and promote adjustment of products structure and upgrading of industries. Meanwhile, it will also strengthen technological competitiveness of enterprises by continuously optimizing technological innovative system.

Glass fiber business

Given the opportunity arisen from the gradual recovery of market demand and the furnace's cold repairing period, China Fiberglass will adjust the structure, proactively promoted high-end products, continuously advance technological innovation and strengthen research and development of products. Meanwhile, it will concentrate on the expansion of new markets, new customers and new business scopes, and make efforts to achieve management efficiency improvement, cost reduction, quantity control and profit raising for the purpose of enhancing competitiveness of enterprises.

ENGINEERING SERVICES SEGMENT

China Triumph will focus more on operation of overseas market, persistently innovate business model and proactively expand new business scope. Setting the target of seizing the prominent position of the industry, it will also enhance efforts on innovation, which, together with innovative models, create a new edge of core competitiveness. Meanwhile, it will continuously promote management integration, strengthen financial centralization and procurement centralization, which will increase management efficiency, reduce cost, and improve economies of scale.

FINANCIAL REVIEW

The unaudited revenue of the Group increased by 10.4% from RMB50,531.4 million for the six months ended 30 June 2013 to RMB55,780.7 million for the six months ended 30 June 2014. Unaudited profit attributable to equity holders increased by 33.0% from RMB1,352.3 million for the six months ended 30 June 2013 to RMB1,797.8 million for the six months ended 30 June 2014.

REVENUE

Our revenue for the six months ended 30 June 2014 amounted to RMB55,780.7 million, representing an increase of 10.4% from RMB50,531.4 million for the six months ended 30 June 2013. This was primarily due to that the revenue of South Cement increased by RMB2,279.7 million, revenue of China United increased by RMB2,001.8 million, the revenue of the Southwest Cement increased by RMB1,832.3 million, the revenue from the lightweight building materials segment increased by RMB308.7 million, the revenue from the glass fiber and composite materials segments increased by RMB213.2 million, the revenue of the engineering services segment increased by RMB211.5 million and the revenue from the North Cement increased by RMB83.4 million..

COST OF SALES

Our cost of sales for the six months ended 30 June 2014 amounted to RMB40,882.9 million, representing an increase of 5.0% from RMB38,933.7 million for the six months ended 30 June 2013. This was primarily due to that the cost of sales of South Cement increased by RMB1,477.9 million, the cost of sales of Southwest Cement increased by RMB1,057.1 million, the cost of sales of China United increased by RMB989.6 million, the cost of sales of the glass fiber and composite materials segment increased by RMB182.2 million and the cost of sales of the lightweight building materials segment increased by RMB161.0 million, yet partially offset by a decrease of RMB112.7 million in cost of sales of North Cement and a decrease of RMB34.3 million in cost of sales of the engineering services segment.

OTHER INCOME

Other income of the Group increased by 8.2% to RMB1,652.6 million for the six months ended 30 June 2014 from RMB1,528.0 million for the six months ended 30 June 2013. This was primarily due to an increase in discount on acquisition of interests in subsidiaries from RMB0.5 million for the six months ended 30 June 2013 to RMB188.9 million for the six months ended 30 June 2014, yet partially offset by a decrease in government grants to RMB402.7 million for the six months ended 30 June 2014 from RMB619.4 million for the six months ended 30 June 2013.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by 21.5% to RMB3,004.1 million for the six months ended 30 June 2014 from RMB2,472.0 million for the six months ended 30 June 2013. This was primarily due to an increase of RMB136.6 million in transportation costs, an increase of RMB44.4 million in depreciation and amortisation costs resulted from the increase in commercial concrete business of the Group and the inclusion of newly acquired cement subsidiaries and an increase of RMB158.1 million in the remuneration of sales personnel following the growth of the Group's operation results.

FINANCIAL REVIEW *(CONTINUED)*

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 22.6% to RMB4,429.0 million for the six months ended 30 June 2014 from RMB3,612.9 million for the six months ended 30 June 2013. This was primarily due to the increase in commercial concrete business of the Group and the inclusion of newly acquired cement subsidiaries, resulting in an increase of RMB221.1 million in labour costs, an increase of RMB154.8 million in depreciation and amortisation of intangible assets, an increase of RMB91.4 million in research and development expenses, an increase of RMB45.4 million in tax (mainly including property tax, land use tax and vehicle and vessel taxes).

FINANCE COSTS

Finance costs increased by 25.0% to RMB5,397.0 million for the six months ended 30 June 2014 from RMB4,318.4 million for the six months ended 30 June 2013, due to our increased borrowings which were required to support the increase in the business activities in the cement and commercial concrete business segments.

SHARE OF PROFIT OF ASSOCIATES

The Group's share of profit of associates increased by 133.6% to RMB332.3 million for the six months ended 30 June 2014 from RMB142.3 million for the six months ended 30 June 2013, primarily due to an increase in profits of our associated companies in the cement segment.

INCOME TAX EXPENSE

Income tax expense increased by 43.1% to RMB1,174.2 million for the six months ended 30 June 2014 from RMB820.6 million for the six months ended 30 June 2013, primarily due to the increase in profit before taxation.

NON-CONTROLLING INTERESTS

Non-controlling interests increased by 56.2% to RMB1,080.6 million for the six months ended 30 June 2014 from RMB691.9 million for the six months ended 30 June 2013. This was primarily due to the increase in operating profit in each business segment of the Group.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by 33.0% to RMB1,797.8 million for the six months ended 30 June 2014 from RMB1,352.3 million for the six months ended 30 June 2013. Net profit margin increased to 3.2% for the six months ended 30 June 2014 from 2.7% for the six months ended 30 June 2013.

FINANCIAL REVIEW *(CONTINUED)*

CHINA UNITED

Commercial concrete

China United merged with 34 commercial concrete companies as at 30 June 2014 and 32 as at 30 June 2013. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for both periods and their respective percentage in China United.

	The abovementioned commercial concrete companies for the six months ended 30 June			
	2014		2013	
	RMB in millions	***Percentage in China United***	*RMB in millions*	*Percentage in China United*
Revenue	**5,244.0**	**40.0**	3,831.1	34.5
Cost of sales	**3,890.0**	**40.9**	2,729.7	32.0
Gross profit	**1,354.0**	**37.7**	1,101.4	42.7
Operating profit	**673.4**	**31.7**	563.3	33.6

Acquisition of cement subsidiaries

China United acquired 8 cement companies after 30 June 2013. Operating results of the above 8 cement companies were consolidated into the operating results of China United for the six months ended 30 June 2014, but excluded from the operating results for the six months ended 30 June 2013.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 8 cement companies for the six months ended 30 June 2014 and their respective percentage in China United.

	RMB in millions	***Percentage in China United***
Revenue	215.9	1.6
Cost of sales	194.4	2.0
Gross profit	21.4	0.6
Operating profit	10.6	0.5

Save as the reasons stated below, changes in the operating results of China United for the six months ended 30 June 2014 as compared with the six months ended 30 June 2013 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

CHINA UNITED *(CONTINUED)*

Revenue

Revenue of China United increased by 18.0% to RMB13,110.0 million for the six months ended 30 June 2014 from RMB11,108.2 million for the six months ended 30 June 2013, mainly attributable to the increase in average price of cement products.

Cost of sales

Cost of sales of China United increased by 11.6% to RMB9,515.8 million for the six months ended 30 June 2014 from RMB8,526.2 million for the six months ended 30 June 2013, mainly attributable to the inclusion of the abovementioned commercial concrete business and newly acquired cement subsidiaries, yet partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit of China United increased by 39.2% to RMB3,594.2 million for the six months ended 30 June 2014 from RMB2,582.0 million for the six months ended 30 June 2013. Gross profit margin of China United increased from 23.2% for the six months ended 30 June 2013 to 27.4% for the six months ended 30 June 2014. The increase in gross profit margin was mainly due to a higher average selling price of cement products and a lower coal price.

Operating profit

Operating profit of China United increased by 26.9% to RMB2,127.5 million for the six months ended 30 June 2014 from RMB1,676.3 million for the six months ended 30 June 2013. Operating profit margin of China United increased from 15.1% for the six months ended 30 June 2013 to 16.2% for the six months ended 30 June 2014. The increase in operating profit margin was primarily due to the increase in gross profit margin, yet partially offset by the decrease in government grants.

SOUTH CEMENT

Commercial Concrete

South Cement merged with 194 commercial concrete companies as at 30 June 2014 and 169 as at 30 June 2013. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for both periods and their respective percentage in South Cement.

	The abovementioned commercial concrete companies for the six months ended 30 June			
	2014		2013	
	RMB in millions	***Percentage in South Cement***	*RMB in millions*	*Percentage in South Cement*
Revenue	**7,421.4**	**35.2**	6,335.9	33.7
Cost of sales	**5,508.8**	**34.5**	4,503.4	31.1
Gross profit	**1,912.6**	**37.4**	1,832.5	42.6
Operating profit	**900.9**	**30.4**	926.0	36.2

FINANCIAL REVIEW *(CONTINUED)*

SOUTH CEMENT *(CONTINUED)*

Acquisition of cement subsidiaries

South Cement acquired 3 cement companies after 30 June 2013. Operating results of the above 3 cement companies were consolidated into the operating profit of South Cement for the six months ended 30 June 2014, but excluded from the operating results for the six months ended 30 June 2013.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 3 cement companies for the six months ended 30 June 2014 and their respective percentage in South Cement.

	RMB in millions	*Percentage in South Cement*
Revenue	667.0	3.2
Cost of sales	519.2	3.2
Gross profit	147.8	2.9
Operating profit	114.7	3.9

Save as the reasons stated below, changes in the operating results of South Cement for the six months ended 30 June 2014 as compared with the six months ended 30 June 2013 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

Revenue

Revenue of South Cement increased by 12.1% to RMB21,088.3 million for the six months ended 30 June 2014 from RMB18,808.6 million for the six months ended 30 June 2013, mainly attributable to the increase in the average selling price of cement products.

Cost of sales

Cost of sales of South Cement increased by 10.2% to RMB15,981.0 million for the six months ended 30 June 2014 from RMB14,503.1 million for the six months ended 30 June 2013, mainly attributable to the inclusion of the abovementioned commercial concrete business and the newly acquired cement subsidiaries, yet partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit of South Cement increased by 18.6% to RMB5,107.3 million for the six months ended 30 June 2014 from RMB4,305.5 million for the six months ended 30 June 2013. Gross profit margin of South Cement increased from 22.9% for the six months ended 30 June 2013 to 24.2% for the six months ended 30 June 2014. This was mainly attributable to the increase in the average selling price of cement products and the decrease in the coal prices.

Operating profit

Operating profit of South Cement increased by 15.9% to RMB2,961.2 million for the six months ended 30 June 2014 from RMB2,555.2 million for the six months ended 30 June 2013. Operating profit margin for the South Cement increased from 13.6% for the six months ended 30 June 2013 to 14.0% for the six months ended 30 June 2014. This was primarily due to the increase in the gross profit margin, yet partially offset by the increase in transportation cost.

FINANCIAL REVIEW (CONTINUED)

NORTH CEMENT

Commercial concrete

North Cement merged with 11 commercial concrete companies as at 30 June 2014 and 8 as at 30 June 2013. The following table sets out the revenue, cost of sales, gross profit and operating results of the abovementioned commercial concrete companies for both periods and their respective percentage in North Cement.

	The abovementioned commercial concrete companies for the six months ended 30 June			
	2014		2013	
	RMB in millions	***Percentage in North Cement***	*RMB in millions*	*Percentage in North Cement*
Revenue	**213.8**	**7.7**	125.6	4.7
Cost of sales	**138.0**	**7.6**	94.7	4.9
Gross profit	**75.8**	**7.9**	30.9	4.0
Operating profit	**15.5**	**2.9**	6.3	1.4

Acquisition of cement subsidiaries

North Cement acquired 4 cement companies after 30 June 2013. Operating results of the above 4 cement companies were consolidated into the operating results of North Cement for the six months ended 30 June 2014, but excluded from the operating results for the six months ended 30 June 2013.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 4 cement companies for the six months ended 30 June 2014 and their respective percentage in North Cement.

	RMB in millions	***Percentage in North Cement***
Revenue	163.4	5.9
Cost of sales	136.2	7.5
Gross profit	27.2	2.8
Operating profit	12.4	2.3

Save as the reasons stated below, changes in the operating results of North Cement for the six months ended 30 June 2014 as compared with the six months ended 30 June 2013 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

NORTH CEMENT *(CONTINUED)*

Revenue

Revenue of North Cement increased by 3.1% to RMB2,777.2 million for the six months ended 30 June 2014 from RMB2,693.8 million for the six months ended 30 June 2013, mainly attributable to the inclusion of the aforementioned commercial concrete business and the newly acquired cement subsidiaries, yet partially offset by the decrease in the average selling price of cement products.

Cost of sales

Cost of sales of North Cement decreased by 5.8% to RMB1,816.1 million for the six months ended 30 June 2014 from RMB1,928.8 million for the six months ended 30 June 2013, mainly attributable to the decrease in the coal prices and the coal consumption.

Gross profit and gross profit margin

Gross profit of North Cement increased by 25.6% to RMB961.1 million for the six months ended 30 June 2014 from RMB764.9 million for the six months ended 30 June 2013. Gross profit margin of North Cement increased from 28.4% for the six months ended 30 June 2013 to 34.6% for the six months ended 30 June 2014, mainly owing to the decrease in the coal prices, yet partially offset by a lower average selling price of cement products.

Operating profit

Operating profit of North Cement increased by 21.0% to RMB540.1 million for the six months ended 30 June 2014 from RMB446.2 million for the six months ended 30 June 2013. Operating profit margin of North Cement increased from 16.6% for the six months ended 30 June 2013 to 19.4% for the six months ended 30 June 2014, primarily due to the increase in gross profit margin, yet partially offset by the decrease in government grants.

SOUTHWEST CEMENT

Commercial Concrete

Southwest Cement merged with 9 commercial concrete companies as at 30 June 2014 and 7 as at 30 June 2013. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for both periods and their respective percentage in Southwest Cement.

	The abovementioned commercial concrete companies for the six months ended 30 June			
	2014		2013	
	RMB in millions	***Percentage in Southwest Cement***	*RMB in millions*	*Percentage in Southwest Cement*
Revenue	**203.6**	**2.0**	141.6	1.7
Cost of sales	**143.3**	**2.0**	127.3	2.1
Gross profit	**60.3**	**1.9**	14.3	0.6
Operating profit	**15.6**	**0.7**	7.7	0.5

FINANCIAL REVIEW *(CONTINUED)*

SOUTHWEST CEMENT *(CONTINUED)*

Acquisition of cement subsidiaries

Southwest Cement acquired 6 cement companies after 30 June 2013. Operating results of the above 6 cement companies were consolidated into the operating results of Southwest Cement for the six months ended 30 June 2014, but excluded from the operating results for the six months ended 30 June 2013.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 6 cement companies for the six months ended 30 June 2014 and their respective percentage in Southwest Cement.

	RMB in millions	*Percentage in Southwest Cement*
Revenue	270.6	2.7
Cost of sales	191.2	2.7
Gross profit	79.4	2.6
Operating profit	42.3	2.0

Save as the reasons stated below, changes in the operating results of Southwest Cement for the six months ended 30 June 2014 as compared with the six months ended 30 June 2013 were also due to the inclusion of operating results of the abovementioned commercial concrete business and newly acquired cement subsidiaries.

Revenue

Revenue of Southwest Cement increased by 22.0% to RMB10,153.3 million for the six months ended 30 June 2014 from RMB8,320.9 million for the six months ended 30 June 2013, mainly attributable to the increase in the average selling price of cement products.

Cost of sales

Cost of sales of Southwest Cement increased by 17.6% to RMB7,051.6 million for the six months ended 30 June 2014 from RMB5,994.5 million for the six months ended 30 June 2013, mainly attributable to the inclusion of the abovementioned commercial concrete business and the newly acquired cement subsidiaries, yet partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit of Southwest Cement increased by 33.3% to RMB3,101.7 million for the six months ended 30 June 2014 from RMB2,326.4 million for the six months ended 30 June 2013. Gross profit margin of Southwest Cement increased from 28.0% for the six months ended 30 June 2013 to 30.5% for the six months ended 30 June 2014, mainly owing to the increase in the average selling price of cement products and a lower coal price.

FINANCIAL REVIEW *(CONTINUED)*

SOUTHWEST CEMENT *(CONTINUED)*

Operating profit

Operating profit of Southwest Cement increased by 37.3% to RMB2,104.5 million for the six months ended 30 June 2014 from RMB1,532.9 million for the six months ended 30 June 2013. Operating profit margin of the Southwest Cement increased from 18.4% for the six months ended 30 June 2013 to 20.7% for the six months ended 30 June 2014, primarily due to the increase in gross profit margin.

Lightweight Building Materials Segment

Revenue

Revenue from the lightweight building materials segment increased by 9.5% to RMB3,544.9 million for the six months ended 30 June 2014 from RMB3,236.2 million for the six months ended 30 June 2013. This was mainly attributable to the increase in sales volume of gypsum boards, our main product, but was partially offset by a decrease of its selling prices.

Cost of sales

Cost of sales for the lightweight building materials segment increased by 6.4% to RMB2,676.1 million for the six months ended 30 June 2014 from RMB2,515.1 million for the six months ended 30 June 2013. This was mainly due to the increase in sales volume of gypsum boards, our main product, but was partially offset by the decrease in prices of principal raw materials and coal price.

Gross profit and gross profit margin

Gross profit from the lightweight building materials segment increased by 20.5% to RMB868.8 million for the six months ended 30 June 2014 from RMB721.1 million for the six months ended 30 June 2013. Gross profit margin of the lightweight building material segment increased to 24.5% for the six months ended 30 June 2014 from 22.3% for the six months ended 30 June 2013, mainly attributable to the decrease in the prices of principal raw materials and coal price, yet partially offset by lower price of gypsum boards.

Operating profit

Operating profit from the lightweight building materials segment increased by 25.0% to RMB761.3 million for the six months ended 30 June 2014 from RMB609.0 million for the six months ended 30 June 2013. Operating profit margin of the segment increased from 18.8% for the six months ended 30 June 2013 to 21.5% for the six months ended 30 June 2014, which was principally due to the increase in gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

GLASS FIBER AND COMPOSITE MATERIALS SEGMENTS

Revenue

Revenue from the glass fiber and composite materials segment increased by 25.6% to RMB1,046.2 million for the six months ended 30 June 2014 from RMB833.0 million for the six months ended 30 June 2013, which was primarily due to an increase of RMB229.4 million in revenue from FRP pipes, tank business and rotor blades, an increase of RMB17.9 million in the revenue from carbon fiber business, and an increase of RMB14.1 million in shipping business, yet partially offset by the decrease of revenue in flooring business.

Cost of sales

The cost of sales for the glass fiber and composite materials segment increased by 30.5% to RMB780.1 million for the six months ended 30 June 2014 from RMB597.9 million for the six months ended 30 June 2013. The increase was primarily due to an increase of RMB187.7 million in the cost of FRP pipes, tank business and rotor blades, an increase of RMB13.7 million in the cost of carbon fiber business, and an increase of RMB13.6 million in the cost of shipping business, partially offset by the decrease in the cost of flooring business.

Gross profit and gross profit margin

Gross profit from the glass fiber and composite materials segment increased by 13.2% to RMB266.1 million for the six months ended 30 June 2014 from RMB235.1 million for the six months ended 30 June 2013. Gross profit margin of the glass fiber and composite materials segment decreased to 25.4% for the six months ended 30 June 2014 from 28.2% for the six months ended 30 June 2013. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margin of FRP pipes and tanks.

Operating profit

Operating profit from the glass fiber and composite materials segment increased by 54.3% to RMB111.7 million for the six months ended 30 June 2014 from RMB72.4 million for the six months ended 30 June 2013. The operating profit margin of such segment increased to 10.7% for the six months ended 30 June 2014 from 8.7% for the six months ended 30 June 2013. The increase in operating profit margin was primarily due to the decrease in the cost of loading and discharging for the period, yet partially offset by the decrease in the gross profit margin.

ENGINEERING SERVICES SEGMENT

Revenue

Revenue from the engineering services segment increased by 7.6% to RMB2,982.5 million for the six months ended 30 June 2014 from RMB2,771.0 million for the six months ended 30 June 2013, which was mainly attributable to the increase in completed construction services in the period.

FINANCIAL REVIEW *(CONTINUED)*

ENGINEERING SERVICES SEGMENT *(CONTINUED)*

Cost of sales

Cost of sales for the engineering services segment decreased by 1.5% to RMB2,217.5 million for the six months ended 30 June 2014 from RMB2,251.8 million for the six months ended 30 June 2013. This was primarily due to the decrease in the purchase prices of raw materials and equipments.

Gross profit and gross profit margin

Gross profit from the engineering services segment increased by 47.4% to RMB765.1 million for the six months ended 30 June 2014 from RMB519.2 million for the six months ended 30 June 2013. The gross profit margin of the engineering and service segment increased to 25.7% for the six months ended 30 June 2014 from 18.7% for the six months ended 30 June 2013, which was primarily due to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit from the engineering services segment increased by 110.0% to RMB520.9 million for the six months ended 30 June 2014 from RMB248.1 million for the six months ended 30 June 2013. Operating profit margin of this segment increased to 17.5% for the six months ended 30 June 2014 from 9.0% for the six months ended 30 June 2013, which was mainly due to the increase in gross profit margin and the increase in discount on acquisition of interests in subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had unused banking facilities and bonds, which were registered but not yet issued, of approximately RMB 104,256.3 million in total.

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

	As at 30 June 2014	As at 31 December 2013
	(RMB in millions)	
Bank loans	**179,268.7**	170,208.2
Other borrowings from non-financial institutions	**832.0**	—
Total	**180,100.7**	170,208.2

FINANCIAL REVIEW *(CONTINUED)*

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

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

	As at 30 June 2014	As at 31 December 2013
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**139,046.9**	113,331.8
Between one and two years	**19,668.4**	21,721.2
Between two and three years	**8,004.0**	20,550.2
Between three and five years (inclusive of both years)	**12,815.8**	14,157.0
Over five years	**565.6**	448.0
Total	**180,100.7**	170,208.2

As at 30 June 2014, bank loans in the total amount of RMB7,725.6 million were secured by assets of the Group with a total carrying value of RMB20,525.1 million.

As at 30 June 2014 and 31 December 2013, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 58.0% and 58.4%, respectively.

EXCHANGE RISKS

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

CONTINGENT LIABILITIES

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

	As at 30 June 2014	As at 31 December 2013
	(RMB in millions)	
Guarantees provided to the bank in respect of bank credits used by the Independent Third Parties before the subsidiary was taken over:	—	85.0
Total	—	85.0

FINANCIAL REVIEW *(CONTINUED)*

CAPITAL COMMITMENTS

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

	As at 30 June 2014	As at 31 December 2013
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**356.8**	667.3
Capital expenditure of the Company in respect of prepaid lease payments (contracted but not provided for)	**1.4**	49.4
Capital expenditure of the Company in respect of equity acquisition (contracted but not provided for)	**—**	165.2

CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the six months ended 30 June 2014 by segment:

		For the six months ended 30 June 2014 *(RMB million)*	*% of total*
Cement		**3,170.0**	72.0
Including:	China United	**1,445.0**	32.8
	South Cement	**686.8**	15.6
	North Cement	**94.0**	2.1
	Southwest Cement	**909.4**	20.6
Commercial concrete		**245.4**	5.6
Including:	China United	**120.1**	2.7
	South Cement	**47.7**	1.1
	North Cement	**75.5**	1.7
	Southwest Cement	**1.2**	0.0
Lightweight building materials		**541.5**	12.3
Glass fiber and composite materials		**230.4**	5.2
Engineering services		**42.3**	0.9
Others		**174.9**	4.0
Total		**4,404.5**	100.0

FINANCIAL REVIEW *(CONTINUED)*

CASH FLOW FROM OPERATING ACTIVITIES

For the six months ended 30 June 2014, our net cash inflow generated from operating activities was RMB7,486.7 million. Such net cash inflow was primarily due to RMB12,527.3 million of cash flow from operating activities before the change in working capital and the increase of RMB 2,259.2 million in trade and other payables, yet partially offset by an increase of RMB4,851.3 million in other trade and other receivables and an increase of RMB1,556.6 million in inventory.

CASH FLOW FROM INVESTING ACTIVITIES

For the six months ended 30 June 2014, net cash outflow from investing activities of the Group was RMB7,813.3 million, which was primarily due to an expenditure for payment for deposits paid of RMB8,870.3 million, the purchase of property, plant and equipment amounting to RMB4,248.7 million.

CASH FLOW FROM FINANCING ACTIVITIES

For the six months ended 30 June 2014, we had a net cash inflow from financing activities amounting to RMB6,400.6 million, primarily attributable to a total of RMB88,737.9 million in new borrowings, partially offset by RMB77,734.1 million for repayment of borrowings.

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

At the annual general meeting of the Company held on 23 May 2014, the Company declared a final dividend of RMB863,884,201.92 in total (pre-tax) for the period from 1 January 2013 to 31 December 2013 for the Shareholders whose names appeared on the register of members of the Company on 4 June 2014, representing RMB0.160 per share (pre-tax).

.

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2014.

MATERIAL TRANSACTIONS

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

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Particulars of connected transactions are set out in Note 27 to the interim financial statements. The Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. For details of such continuing connected transactions and relevant exemptions, please refer to the Company's announcement on continuing connected transactions dated 27 December 2013 and the Company's 2013 annual report.

Transactions with Parent Group

For the six months ended 30 June 2014, the Group's income from its supply of products and services to the Parent Group amounted to approximately RMB65.3 million, representing approximately 0.01% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from the Parent Group amounted to RMB123.4 million, representing approximately 0.3 % of its total cost of sales for the same period.

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

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

For the six months ended 30 June 2014, the Group's income from its supply of products (including ultra-fine powder/slag, clinker and cement) to Jingang Group and its subsidiaries amounted to approximately RMB135.1 million, representing approximately 0.2% of the total revenue of the Group for the same period.

CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2014, the Board is not aware of any information which would indicate that the Company did not comply with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

SPECIAL COMMITTEES UNDER THE BOARD

THE STRATEGIC STEERING COMMITTEE

The Company has established a strategic steering committee which comprises three Directors, including two executive Directors and one independent non-executive Director. The strategic steering committee is responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisation development proposals, major investing and financing plans and other material matters that will affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investing plans under the authorisation of the Board; and making recommendations to the Board. As at the date of this report, the strategic steering committee has reviewed the duties and procedures of the strategic steering committee, the operation of the Company in 2013 and proposals relating to the working arrangement in 2014.

NOMINATION COMMITTEE

The Company has established a nomination committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the nomination committee are in compliance with the provisions of the Code. The nomination committee is responsible for, among other things, directed by the board diversity policy, the annual review of the structure, size and composition of the Board (in terms of techniques, knowledge and experience), providing recommendations to the Board in respect of any adjustments to be made in accordance with the Company's strategies and examining the selection criteria and procedures for, and reviewing on the qualifications and conditions of Directors and senior management. As at the date of this report, the nomination committee has reviewed the structure, size and composition of the Board and the special committees as well as the independence of the independent non-executive Directors, and has reviewed the re-election of certain Directors of the Company, the appointment of vice-president of the Company and the delegation of directors to subsidiaries.

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

The Company has established a remuneration and performance appraisal committee which comprises three Directors, including one executive Director and two independent non-executive Directors. The terms of reference adopted by the remuneration and performance appraisal committee are in compliance with the provisions of the Code. The remuneration and performance appraisal committee is responsible for recommending the specific remuneration and reviewing the performance of the Directors and senior management, based on the remuneration and performance appraisal management policies and framework pertaining to Directors and senior management which have been formulated by the Board. As at the date of this report, the remuneration and performance appraisal committee has considered the re-election of the chairman of the remuneration and performance appraisal committee and the remuneration for senior management for 2013.

SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

AUDIT COMMITTEE

The Company has established the audit committee which comprises three Directors, including one non-executive Director and two independent non-executive Directors, with appropriate professional qualification or accounting or related financial management experience. The terms of reference adopted by the audit committee are in compliance with the provisions of the Code. The principal duties of the audit committee include reviewing the Company's external auditors of the Company and their work, the Company's financial reporting procedures, internal control and risk management, and formulating and reviewing the corporate governance policy and its practice and disclosure. As at the date of this report, the audit committee has reviewed the internal audit work in 2013, the working plan and its practice in 2014, the appointment of auditors in 2014, determination of the expense on audit in 2013, 2013 annual report and the 2014 interim report of the Company.

INTERNAL CONTROL

In order to meet the changes in overseas and domestic regulatory requirements and the need for the Company's development, as well as further refine and regulate the internal control system of the Company, and strengthen its internal control, the Company has formulated a series of internal management systems covering, amongst others, the amendments to the Articles of Association, the Rules of Procedure for Shareholders' General Meetings, the Rules of Procedure for Board Meetings and the Rules of Procedure for Supervisory Committee Meetings in a timely manner, smoothening the procedures for internal control and key risk point in each department, formulating and improving the process-oriented management system for business operation, thereby ensuring the efficient operation of the Company's internal control system and the sustainable and robust development of the Company.

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

MODEL CODE

The Company has adopted a set of code of practice on terms no less exacting than the standards required in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiries with all Directors of the Company, the Company confirms that all the Directors have complied with the required standards regarding securities transactions by Directors set out in the Model Code and Code for Securities Transactions of China National Building Material Company Limited during the Reporting Period.

SHARE CAPITAL STRUCTURE

	As at 30 June 2014	
	Number of shares	Percentage of issued share capital
Domestic Shares	2,519,854,366	46.67%
H Shares	2,879,171,896	53.33%
Total share capital	5,399,026,262	100%

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

For the six months ended 30 June 2014, neither the Company nor its subsidiaries purchased, sold or redeemed any securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2014.

In respect of immaterial litigation, references are made to the Company's voluntary announcements dated 18 July 2014 and 20 August 2014 in relation to the developments in the gypsum board litigation in the United States ("US") after the Reporting Period. The motions made by Taishan Gypsum, a 65% held subsidiary of BNBM (which is in turn a 52.4% held subsidiary of the Company), in respect of some of the gypsum board cases in the US to vacate the default judgment and the preliminary entry of the default order and to dismiss legal action on the ground that the US courts did not have personal jurisdiction had been dismissed. Taishan Gypsum did not agree that the US courts have jurisdiction and objected to the substantive disputes being heard by a court without jurisdiction, it has decided not to continue to participate in any gypsum board litigation brought against it in the US courts. As a result of Taishan Gypsum's failure to participate in a Judgment Debtor Examination, a US court held Taishan Gypsum in contempt of court imposing certain injunction on it and its affiliates. A new gypsum board action was initiated in the US courts in which the plaintiffs claimed damages of more than US$1,500 million against the defendants which included, among others, the Company, BNBM and Taishan Gypsum. The Group's major assets and principal commercial activities are all located in China and since there is no convention or treaty on mutual recognition and enforcement of judgments between China and the US, the respective US and Chinese legal counsels of BNBM and Taishan Gypsum believe that the possibility of the US judgments being enforced in China is very low. Based on information currently available to the Company, the Company believes that the recent developments in the gypsum board litigation in the US will not result in significant economic loss to the Group and will not have material adverse impact on the Group's production and operation.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had approximately 135,143 employees.

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

CHANGES IN DIRECTORS' INFORMATION

The change in the information of the Directors of the Company required to be disclosed pursuant to Rule13.51B(1) of the Listing Rules since the publication of the 2013 annual report of the Company is set out below:

Mr. Cao Jianglin, the President and executive director of the Company, has been appointed as the general manager of the Parent since 25 April 2014.

SHARE APPRECIATION RIGHTS PLAN

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

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

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

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

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

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

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

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

So far as was known to the Directors or the Supervisors of the Company, as at 30 June 2014, the Shareholders (other than the Directors, the chief executive or the Supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholder	Class of Shares	Long/ short position/ Lending Pool	Capacity	Number of Shares held	*Notes*	Percentage of the relevant class of share capital *(%)*[1, 6]	Percentage of total share capital *(%)*[1, 6]
Parent	Domestic Shares	Long	Beneficial owner	666,962,522			
	Domestic Shares	Long	Interest of controlled corporation	1,714,459,536			
				2,381,422,058	2,3	94.50	44.10
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956	2	58.95	27.52
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	9.04	4.22
Cinda	Domestic Shares	Long	Beneficial owner	138,432,308	3	5.49	2.56
JPMorgan Chase & Co.	H Shares	Long	Beneficial owner	52,093,061			
	H Shares	Long	Investment manager	16,802,000			
	H Shares	Long	Custodian	246,629,314			
				315,524,375	4	10.95	5.84
	H Shares	Short	Beneficial owner	12,537,804	4	0.43	0.23
	H Shares	Lending Pool	—	246,629,314	4	8.56	4.56
Citigroup Inc.	H Shares	Long	Interest of controlled corporation	46,485,121			
	H Shares	Long	Custodian	100,350,509			
	H Shares	Long	Person having a security interest	420,000			
				147,255,630	5	5.11	2.72
	H Shares	Short	Interest of controlled corporation	46,228,853	5	1.60	0.85
	H Shares	Lending Pool	—	100,350,509	5	3.48	1.85

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

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

Notes:

1. As at 30 June 2014, the Company's total issued share capital was 5,399,026,262 shares, comprising 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

2. Of these 2,381,422,058 shares, 666,962,522 shares are directly held by the Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

3. Pursuant to a share transfer agreement dated 31 December 2009 entered into between the Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to the Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between the Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to the Parent ("Second Transfer of Shares"). As the proposal in relation to bonus issue of shares on the basis of ten bonus shares for every ten shares held by shareholders of the Company was passed at the 2010 annual general meeting of the Company, the Parent and Cinda entered into a supplemental agreement to the aforesaid two share transfer agreement on 31 August 2012, whereby Cinda agreed to adjust the 61,800,137 Domestic Shares of the Company transferred to the Parent to 123,600,274 Domestic Shares. Consequently, under the SFO, the Parent was deemed to own 2,505,022,332 Domestic Shares (representing 99.41% in the domestic share capital and 46.39% in the total share capital) and Cinda was deemed to own 14,832,034 Domestic Shares (representing 0.58% in the domestic share capital and 0.27% in the total share capital). As at the date of this report, the formalities in respect of the share transfer registration of the aforementioned transactions of shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed.

4. JPMorgan Chase & Co. was deemed to hold interests in a total of 315,524,375 H Shares (long position) and 12,537,804 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

   4.1 J.P. Morgan Securities LLC held 13,164 H Shares (long position) and 1,245 H Shares (short position) in the Company. J.P. Morgan Securities LLC was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.2 J.P. Morgan Clearing Corp held 224,375 H Shares (long position) and 219,375 H Shares (short position) in the Company. J.P. Morgan Clearing Corp was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.3 JF Asset Management Limited held 15,228,000 H Shares (long position) in the Company. JF Asset Management Limited was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

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

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

Notes: *(Continued)*

4. JPMorgan Chase & Co. was deemed to hold interests in a total of 315,524,375 H Shares (long position) and 12,537,804 H Shares (short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company: *(Continued)*

4.4 JPMorgan Asset Management (Taiwan) Limited held 1,252,000 H Shares (long position) in the Company. JPMorgan Asset Management (Taiwan) Limited was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.5 J.P. Morgan Investment Management Inc. held 2,000 H Shares (long position) in the Company. J.P. Morgan Investment Management Inc. was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.6 J.P. Morgan Whitefriars Inc. held 29,918,368 H Shares (long position) and 1,872,936 H Shares (short position) in the Company. J.P. Morgan Whitefriars Inc. was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.7 J.P. Morgan Securities plc held 21,937,154 H Shares (long position) and 10,444,248 H Shares (short position) in the Company. J.P. Morgan Securities plc was owned as to 0.69% by J.P. Morgan Capital Financing Limited, which in turn was a wholly-owned subsidiary of JPMorgan Chase & Co., and 99.31% by J.P. Morgan Chase International Holdings, which in turn was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

4.8 JPMorgan Chase Bank, N.A. held 246,629,314 H Shares (long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co..

4.9 JPMorgan Asset Management (UK) Limited held 320,000 H Shares (long position) in the Company. JPMorgan Asset Management (UK) Limited was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 246,629,314 H Shares. Besides, 5,870,012 H Shares (long position) and 6,299,429 H Shares (short position) were held through derivatives as follows:

1,644,000 H Shares (long position) and 358,000 H Shares (short position)	—	through physically settled derivatives (on exchange)
366,000 H Shares (short position)	—	through cash settled derivatives (on exchange)
3,164 H Shares (long position) and 1,245 H Shares (short position)	—	through physically settled derivatives (off exchange)
4,222,848 H Shares (long position) and 5,574,184 H Shares (short position)	—	through cash settled derivatives (off exchange)

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

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

Notes: *(Continued)*

5. Citigroup Inc. was deemed to hold interests in a total of 147,255,630 H Shares (long position) and 46,228,853 H Shares (short position) in the Company by virtue of its control over the following corporations:

   5.1 Citigroup Global Markets Hong Kong Limited held 30,895,664 H Shares (long position) and 15,693,366 H Shares (short position) in the Company. Citigroup Global Markets Hong Kong Limited was an indirect wholly-owned subsidiary of Citigroup Inc..

   5.2 Citigroup Global Markets Limited held 15,987,457 H Shares (long position) and 11,713,800 H Shares (short position) in the Company. Citigroup Global Markets Limited was an indirect wholly-owned subsidiary of Citigroup Inc..

   5.3 Citigroup Global Markets Inc. held 18,799,687 H Shares (short position) in the Company. Citigroup Global Markets Inc. was an indirect wholly-owned subsidiary of Citigroup Inc..

   5.4 Citibank N.A. held 100,372,509 H Shares (long position) and 22,000 H Shares (short position) in the Company. Citibank N.A. was an indirect wholly-owned subsidiary of Citigroup Inc..

   The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 100,350,509 H Shares. Besides, 15,850,624 H Shares (long position) and 640,326 H Shares (short position) were held through derivatives as follows:

530,324 H Shares (long position) and 530,326 H Shares (short position)	—	through physically settled derivatives (off exchange)
15,320,300 H Shares (long position) and 110,000 H Shares (short position)	—	through cash settled derivatives (off exchange)

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

Save as disclosed above, as at 30 June 2014, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

II. Interests and Short Positions of Directors, Chief Executive and Supervisors

As at 30 June 2014, as far as the Company is aware, none of the Directors, the chief executive nor the Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, the chief executive or the Supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

BAKER TILLY
HONG KONG | 天職香港

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 48 to 88, which comprises the condensed consolidated statement of financial position of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated interim financial information"). The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting", issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2014 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 22 August 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Six months ended 30 June 2014 RMB'000 (unaudited)	Six months ended 30 June 2013 RMB'000 (unaudited)
Revenue	5	**55,780,666**	50,531,401
Cost of sales		**(40,882,926)**	(38,933,655)
Gross profit		**14,897,740**	11,597,746
Selling and distribution costs		**(3,004,119)**	(2,471,957)
Administrative expenses		**(4,428,997)**	(3,612,916)
Investment and other income	6	**1,652,608**	1,527,965
Finance costs - net	7	**(5,396,957)**	(4,318,363)
Share of profits of associates		**332,339**	142,270
Profit before income tax	8	**4,052,614**	2,864,745
Income tax expenses	9	**(1,174,161)**	(820,628)
Profit for the period		**2,878,453**	2,044,117
Profit attributable to:			
Owners of the Company		**1,797,833**	1,352,262
Non-controlling interests		**1,080,620**	691,855
		2,878,453	2,044,117
		RMB	*RMB*
Earnings per share - basic and diluted	11	**0.333**	0.250

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**2,878,453**	2,044,117
Other comprehensive income/(expense), net of tax:		
Items that may be reclassified subsequently to profit or loss		
— Currency translation differences	**12,929**	(21,912)
— Changes in the fair value of available-for-sale financial assets	**(158,549)**	(15,346)
— Shares of associates' other comprehensive expense	**(1,679)**	(2,562)
Total items that may be subsequently reclassified to profit or loss	**(147,299)**	(39,820)
Other comprehensive expense for the period, net of tax	**(147,299)**	(39,820)
Total comprehensive income for the period	**2,731,154**	2,004,297
Total comprehensive income attributable to:		
Owners of the Company	**1,647,891**	1,315,749
Non-controlling interests	**1,083,263**	688,548
Total comprehensive income for the period	**2,731,154**	2,004,297

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	**30 June 2014** ***RMB'000*** **(unaudited)**	31 December 2013 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	12	**126,190,474**	123,486,020
Prepaid lease payments		**13,899,674**	13,612,734
Investment properties		**307,579**	312,069
Goodwill	13	**42,530,300**	42,310,902
Intangible assets		**4,455,943**	4,506,125
Interests in associates	14	**8,049,617**	7,751,123
Available-for-sale financial assets	17	**1,477,980**	1,388,149
Deposits	15	**8,870,308**	8,297,064
Deferred income tax assets		**3,077,241**	2,710,241
		208,859,116	204,374,427
Current assets			
Inventories		**16,521,815**	14,721,004
Trade and other receivables	16	**57,584,422**	52,211,189
Held-for-trading investments	18	**205,386**	189,897
Amounts due from related parties	27(b)	**8,832,422**	8,259,238
Pledged bank deposits	19	**3,492,404**	2,895,511
Cash and cash equivalents		**15,054,467**	8,979,909
		101,690,916	87,256,748

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 30 JUNE 2014

	Note	**30 June 2014** *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
Current liabilities			
Trade and other payables	20	**55,549,037**	48,327,065
Amounts due to related parties	27(b)	**2,078,358**	2,522,711
Borrowings - amount due within one year	21	**139,046,883**	113,341,816
Obligations under finance leases		**2,804,161**	2,678,785
Current income tax liabilities		**1,607,380**	2,119,409
Dividend payable to non-controlling interests		**859,953**	405,316
		201,945,772	169,395,102
Net current liabilities		**(100,254,856)**	(82,138,354)
Total assets less current liabilities		**108,604,260**	122,236,073
Non-current liabilities			
Borrowings - amount due after one year	21	**41,053,791**	56,866,432
Deferred income		**1,399,779**	1,398,280
Obligations under finance leases		**9,059,225**	7,980,801
Financial guarantee contracts due after one year		**57,281**	57,444
Deferred income tax liabilities		**2,257,531**	2,357,217
		53,827,607	68,660,174
Net assets		**54,776,653**	53,575,899
Capital and reserves			
Share capital	22	**5,399,026**	5,399,026
Reserves		**30,670,880**	29,979,397
Equity attributable to:			
Owners of the Company		**36,069,906**	35,378,423
Non-controlling interests		**18,706,747**	18,197,476
Total equity		**54,776,653**	53,575,899

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserve fund *RMB'000*	Fair value reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014 (audited)	5,399,026	4,824,481	(152,924)	2,161,926	217,641	(42,911)	22,971,184	35,378,423	18,197,476	53,575,899
Profit for the period	–	–	–	–	–	–	1,797,833	1,797,833	1,080,620	2,878,453
Other comprehensive income/(expense), net of tax										
— Currency translation differences	–	–	–	–	–	11,099	–	11,099	1,830	12,929
— Changes in the fair value of available-for-sale financial assets	–	–	–	–	(159,362)	–	–	(159,362)	813	(158,549)
— Shares of associates' other comprehensive expense	–	–	(1,679)	–	–	–	–	(1,679)	–	(1,679)
Total comprehensive income/(expense) for the period	–	–	(1,679)	–	(159,362)	11,099	1,797,833	1,647,891	1,083,263	2,731,154
Transactions with owners in their capacity as owners:										
Dividends (Note 10)	–	–	–	–	–	–	(863,844)	(863,844)	–	(863,844)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(810,674)	(810,674)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	8,314	8,314
Increase in non-controlling interests as a result of acquisition of new subsidiaries (Note 23)	–	–	–	–	–	–	–	–	332,595	332,595
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries (Note 24(a))	–	–	(91,001)	–	–	–	–	(91,001)	(141,868)	(232,869)
Deemed partial disposal of interest in a subsidiary without losing control (Note 24(b))	–	–	(8,248)	–	–	–	–	(8,248)	34,348	26,100
Appropriation to statutory reserve	–	–	–	142	–	–	(142)	–	–	–
Others	–	–	6,685	–	–	–	–	6,685	3,293	9,978
At 30 June 2014 (unaudited)	5,399,026	4,824,481	(247,167)	2,162,068	58,279	(31,812)	23,905,031	36,069,906	18,706,747	54,776,653

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**7,486,725**	4,568,255
Investing activities		
Purchases of property, plant and equipment	**(4,248,703)**	(5,706,679)
Purchases of intangible assets	**(99,519)**	(402,381)
Net cash inflow/(outflow) from acquisition	**419,426**	(3,077,413)
Payments for acquisition of interests in associates	**(10,000)**	(902,617)
Deposits paid	**(8,870,308)**	(7,908,023)
Other investing cash flows - net	**4,995,770**	(2,574,413)
Net cash used in investing activities	**(7,813,334)**	(20,571,526)
Financing activities		
Interest paid	**(5,963,539)**	(4,290,995)
Dividends paid to shareholders	**(863,844)**	(836,849)
Dividends paid to the non-controlling interests of subsidiaries	**(438,607)**	(478,115)
Repayment of borrowings	**(77,734,121)**	(56,978,456)
New borrowings raised	**88,737,906**	81,433,175
Other financing cash flows - net	**2,662,784**	(1,837,078)
Net cash generated from financing activities	**6,400,579**	17,011,682
Net increase in cash and cash equivalents	**6,073,970**	1,008,411
Cash and cash equivalents at 1 January	**8,979,909**	10,222,056
Effect of foreign exchange rate changes	**588**	5,496
Cash and cash equivalents at 30 June	**15,054,467**	11,235,963

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. GENERAL INFORMATION

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

The addresses of registered office and principal place of business of the Company are located at No. A-11 Sanlihe Road, Haidian District, Beijing, the PRC and 21st Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC, respectively.

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

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

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

The condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013, which has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board.

The accounting policies used in this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2014:

IFRS 10, IFRS 12 and IAS 27 (as revised in 2011) (Amendments)	Investment Entities
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC Interpretation - 21	Levies

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

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2014, and have not been early adopted by the Group:

IFRS 9	Financial Instruments[4]
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[2]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from contracts with customers[3]
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[1]
IFRS (Amendments)	Annual Improvements to IFRSs 2010 - 2012 Cycle[1]
IFRS (Amendments)	Annual Improvements to IFRSs 2011 - 2013 Cycle[1]

1 *Effective for annual periods beginning on or after 1 July 2014.*
2 *Effective for annual periods beginning on or after 1 January 2016.*
3 *Effective for annual periods beginning on or after 1 January 2017.*
4 *Effective for annual periods beginning on or after 1 January 2018.*

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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

4.2 Liquidity risk

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

4.3 Fair value estimation

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liability that are measured at fair value at 30 June 2014:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Held-for-trading investments	205,386	—	—	205,386
Available-for-sale financial assets	1,184,700	—	—	1,184,700
Total assets (unaudited)	1,390,086	—	—	1,390,086
Liability				
Financial guarantee contracts	—	—	57,281	57,281
Total liability (unaudited)	—	—	57,281	57,281

The following table presents the Group's assets and liability that are measured at fair value at 31 December 2013:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Held-for-trading investments	189,897	—	—	189,897
Available-for-sale financial assets	1,093,700	—	—	1,093,700
Total assets (audited)	1,283,597	—	—	1,283,597
Liability				
Financial guarantee contracts	—	—	57,444	57,444
Total liability (audited)	—	—	57,444	57,444

During the period in 2014, there were no significant transfers between levels of the financial assets and financial liability.

During the period in 2014, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liability.

During the period in 2014, there were no reclassification of financial assets and financial liability.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. SEGMENT INFORMATION

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

Principal activities are as follows:

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

More than 90% of the Group's operations and assets are located in the PRC for the period ended 30 June 2014 and year ended 31 December 2013.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. SEGMENT INFORMATION *(CONTINUED)*

(a) For the six months ended 30 June 2014:

The segment results for the six months ended 30 June 2014 are as follows:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue								
External sales	34,224,098	13,402,183	3,544,916	1,046,221	2,062,626	1,500,622	—	55,780,666
Inter-segment sales (Note)	3,436,466	—	47	—	919,899	1,067,572	(5,423,984)	—
	37,660,564	13,402,183	3,544,963	1,046,221	2,982,525	2,568,194	(5,423,984)	55,780,666
Adjusted EBITDA (unaudited)	**8,821,888**	**2,111,547**	**923,178**	**161,805**	**473,730**	**148,686**	**—**	**12,640,834**
Depreciation and amortisation	(2,673,160)	(457,336)	(164,663)	(50,995)	(64,628)	(18,469)	10,934	(3,418,317)
Unallocated other expenses								(824)
Unallocated administrative expenses								(104,461)
Share of profit/(loss) of associates	268,295	1,502	(900)	60,748	(41)	2,735	—	332,339
Finance costs - net	(3,563,957)	(924,504)	(94,440)	(34,210)	(160,248)	(85,103)	(39,062)	(4,901,524)
Unallocated finance costs - net								(495,433)
Profit before income tax								4,052,614
Income tax expenses								(1,174,161)
Profit for the period (unaudited)								**2,878,453**

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. SEGMENT INFORMATION *(CONTINUED)*

(b) As at 30 June 2014:

The segment assets and liabilities as at 30 June 2014 are as follows:

Unaudited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
ASSETS								
Segment assets	197,802,012	41,534,645	10,741,613	5,948,677	9,805,759	5,534,564	–	271,367,270
Interests in associates	5,276,916	773,466	100,462	1,737,589	59,102	102,082	–	8,049,617
Unallocated assets								31,133,145
Total consolidated assets (unaudited)								**310,550,032**
LIABILITIES								
Segment liabilities	123,511,605	21,898,443	5,069,699	3,350,817	9,296,493	3,997,769	–	167,124,826
Unallocated liabilities								88,648,553
Total consolidated liabilities (unaudited)								**255,773,379**

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. SEGMENT INFORMATION *(CONTINUED)*

(c) For the six months ended 30 June 2013: *(Continued)*

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

(d) As at 31 December 2013:

The segment assets and liabilities as at 31 December 2013 are as follows:

Audited	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
ASSETS								
Segment assets	194,473,971	37,821,443	9,729,960	5,916,368	7,349,532	5,241,118	—	260,532,392
Interests in associates	5,757,234	31,915	103,623	1,713,933	42,625	101,793	—	7,751,123
Unallocated assets								23,347,660
Total consolidated assets (audited)								291,631,175
LIABILITIES								
Segment liabilities	150,836,165	13,968,776	4,388,287	3,537,849	7,118,424	4,863,875	—	184,713,376
Unallocated liabilities								53,341,900
Total consolidated liabilities (audited)								238,055,276

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. SEGMENT INFORMATION *(CONTINUED)*

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Adjusted EBITDA for reportable segments	**12,492,148**	10,075,068
Adjusted EBITDA for other segment	**148,686**	124,274
Total segments profit	**12,640,834**	10,199,342
Depreciation of property, plant and equipment	**(3,098,675)**	(2,736,525)
Amortisation of intangible assets	**(156,696)**	(138,282)
Prepaid lease payments released to the condensed consolidated income statement	**(162,946)**	(144,089)
Corporate items	**(105,285)**	(139,608)
Operating profit	**9,117,232**	7,040,838
Finance costs - net	**(5,396,957)**	(4,318,363)
Share of profit of associates	**332,339**	142,270
Profit before income tax	**4,052,614**	2,864,745

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

6. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other investments income	**—**	2,293
Changes in fair value of held-for-trading investments	**(14,425)**	(78,985)
Government subsidies		
VAT refunds (Note a)	**757,689**	738,994
Government grants (Note b)	**402,744**	619,441
Interest subsidies	**12,155**	11,227
Net rental income	**38,907**	74,095
Discount on acquisition of interests in subsidiaries	**188,885**	476
Gain on disposal of other investments	**456**	11,378
Gain on disposal of associates	**—**	8,097
Claims received	**26,330**	7,445
Waiver of payables	**49,666**	3,776
Others	**190,201**	129,728
	1,652,608	1,527,965

Notes:

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

7. FINANCE COSTS - NET

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings:		
— wholly repayable within five years	**4,013,415**	3,372,290
— not wholly repayable within five years	**12,039**	64,985
	4,025,454	3,437,275
Interest expenses on bonds, other borrowings and finance leases	**1,888,998**	1,347,124
Less: Interest capitalised to construction in progress	**(243,204)**	(163,115)
	5,671,248	4,621,284
Interest income:		
— interest on bank deposits	**(111,049)**	(142,546)
— interest on loans receivable	**(163,242)**	(160,375)
	(274,291)	(302,921)
Finance costs - net	**5,396,957**	4,318,363

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**3,121,199**	2,737,257
Depreciation of investment properties	**4,490**	4,587
Amortisation of intangible assets	**156,696**	138,282
Prepaid lease payments released to condensed consolidated income statement	**162,946**	144,089
Allowance for bad and doubtful debts	**244,785**	192,373
Impairment loss on property, plant and equipment	**75**	—
Staff costs	**4,844,253**	3,967,598
Net exchange loss/(gain)	**5,283**	(23,061)

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax	**1,577,315**	1,222,038
Deferred income tax	**(403,154)**	(401,410)
	1,174,161	820,628

PRC income tax is calculated at 25% (2013: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rate of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

Taxation on profits outside the PRC has been calculated on the estimated assessable profits for the six months ended 30 June 2014 at the rates of taxation prevailing in the countries in which the Group operates.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

10. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends	**863,844**	836,849

During the period, a dividend amounting to approximately RMB863.84 million (Six months ended 30 June 2013: approximately RMB836.85 million) was announced as the final dividend for the immediate preceding financial year end.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	**1,797,833**	1,352,262

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Weighted average number of ordinary shares at 30 June	**5,399,026,262**	5,399,026,262

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

12. PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2014

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2014 (audited)	**8,692,209**	**56,143,200**	**53,655,656**	**4,994,955**	**123,486,020**
Additions	**3,352,852**	**172,717**	**504,428**	**92,171**	**4,122,168**
Acquisition of subsidiaries (Note 23)	**619,337**	**551,026**	**605,026**	**41,314**	**1,816,703**
Transfer from construction in progress	**(2,353,178)**	**1,092,856**	**1,260,065**	**257**	**—**
Transfer to construction in progress for reconstruction	**186,252**	**(3,975)**	**(182,277)**	**—**	**—**
Disposals	**(1,123)**	**(33,386)**	**(51,947)**	**(26,687)**	**(113,143)**
Depreciation and impairment	**(75)**	**(836,682)**	**(1,949,499)**	**(335,018)**	**(3,121,274)**
Net book value as at 30 June 2014 (unaudited)	**10,496,274**	**57,085,756**	**53,841,452**	**4,766,992**	**126,190,474**

As at 31 December 2013

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2013 (audited)	11,130,674	44,975,116	45,412,993	3,894,956	105,413,739
Additions	6,088,818	144,386	394,449	187,949	6,815,602
Acquisition of subsidiaries (Note 23)	1,928,763	7,257,630	6,090,994	1,578,377	16,855,764
Transfer from construction in progress	(10,876,013)	5,315,866	5,541,032	19,115	—
Transfer to construction in progress for reconstruction	423,972	(94,347)	(329,468)	(157)	—
Transfer to prepaid lease payments	—	(462)	—	—	(462)
Transfer to investment properties	—	(3,485)	—	—	(3,485)
Disposals	(8,372)	(32,682)	(82,721)	(39,612)	(163,387)
Depreciation and impairment	4,367	(1,418,822)	(3,371,623)	(645,673)	(5,431,751)
Net book value as at 31 December 2013 (audited)	8,692,209	56,143,200	53,655,656	4,994,955	123,486,020

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

13. GOODWILL

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At the beginning of the period/year	**42,310,902**	31,002,443
Arising from acquisition of subsidiaries (Note 23)	**219,398**	11,308,459
At the end of the period/year	**42,530,300**	42,310,902

Goodwill is allocated to the cash generating units that are expected to benefit from the business combinations. The carrying amount of goodwill had been allocated as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cement	**33,646,550**	33,447,836
Concrete	**8,739,676**	8,719,356
Lightweight building materials	**92,552**	92,188
Glass fiber and composite materials	**32,690**	32,690
Engineering services	**62**	62
Others	**18,770**	18,770
	42,530,300	42,310,902

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

14. INTERESTS IN ASSOCIATES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of investments in associates		
— listed in the PRC	**1,761,361**	1,761,361
— unlisted	**3,966,629**	3,941,361
Share of post-acquisition profit, net of dividend received	**2,321,627**	2,048,401
	8,049,617	7,751,123
Fair value of listed investments	**4,214,657**	3,731,334

As at 30 June 2014, the cost of investments in associates included goodwill of associates of approximately RMB1,033.97 million (31 December 2013: approximately RMB1,033.97 million).

15. DEPOSITS

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Investment deposits for acquisition of subsidiaries	**1,399,950**	1,655,065
Deposits paid to acquire property, plant and equipment	**4,765,197**	4,035,339
Deposits paid to acquire intangible assets	**1,990,117**	1,923,124
Deposits paid in respect of prepaid lease payments	**715,044**	683,536
	8,870,308	8,297,064

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

16. TRADE AND OTHER RECEIVABLES

	30 June 2014 ***RMB'000*** **(unaudited)**	31 December 2013 *RMB'000* (audited)
Trade receivables, net of allowance for bad and doubtful debts	**26,947,523**	23,256,628
Bills receivable	**6,043,892**	6,111,533
Amounts due from customers for contract work	**1,222,076**	1,417,922
Prepaid lease payments	**322,635**	327,077
Other receivables, deposits and prepayments	**23,048,296**	21,098,029
	57,584,422	52,211,189

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

	30 June 2014 ***RMB'000*** **(unaudited)**	31 December 2013 *RMB'000* (audited)
Within two months	**10,558,707**	9,157,388
More than two months but within one year	**11,459,102**	10,190,442
Between one and two years	**4,229,691**	3,367,852
Between two and three years	**552,299**	400,834
Over three years	**147,724**	140,112
	26,947,523	23,256,628

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
Available-for-sale financial assets:		
— Unlisted equity shares (Note)	**293,280**	294,449
— Listed equity shares listed in Hong Kong	**744,775**	918,871
— Listed equity shares listed outside Hong Kong	**439,925**	174,829
	1,477,980	1,388,149

Note: The available-for-sale financial assets are accounted for at cost less accumulated impairment losses as such investments do not have a quoted market price in an active market and the range of reasonable fair value estimated is so significant that the directors are of the opinion that their fair values cannot be reliably measured.

18. HELD-FOR-TRADING INVESTMENTS

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
Held-for-trading investments at market value:		
— Quoted investment funds listed outside Hong Kong	**2,422**	697
— Quoted listed equity shares listed outside Hong Kong	**174,800**	189,200
— Quoted treasury bond	**28,164**	—
	205,386	189,897

19. PLEDGED BANK DEPOSITS

As at 30 June 2014, the Group pledged approximately RMB3,492.40 million bank deposits (31 December 2013: approximately RMB2,895.51 million) to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The pledged bank deposits carry interest at market rates which range from 0.35% to 3.50% (the year ended 31 December 2013: 0.35% to 2.80%) per annum.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

20. TRADE AND OTHER PAYABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**19,057,294**	19,426,875
Bills payable	**12,571,752**	5,934,386
Amounts due to customers for contract work	**465,467**	26,062
Other payables	**23,454,524**	22,939,742
	55,549,037	48,327,065

The aged analyses of trade payables are as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables		
Within two months	**8,444,291**	9,019,625
More than two months but within one year	**7,249,896**	7,616,287
Between one and two years	**2,310,695**	2,040,332
Between two and three years	**646,621**	450,458
Over three years	**405,791**	300,173
	19,057,294	19,426,875

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

21. BORROWINGS

	30 June 2014 ***RMB'000*** **(unaudited)**	31 December 2013 *RMB'000* (audited)
Bank borrowings:		
— Secured	**6,893,614**	6,497,988
— Unsecured	**120,775,060**	117,510,260
	127,668,674	124,008,248
Bonds	**51,600,000**	46,200,000
Other borrowings from financial institutions	**832,000**	—
	180,100,674	170,208,248

Analysed for reporting purposes:

	30 June 2014 ***RMB'000*** **(unaudited)**	31 December 2013 *RMB'000* (audited)
Non-current	**41,053,791**	56,866,432
Current	**139,046,883**	113,341,816
	180,100,674	170,208,248

The interest rates of the borrowings are ranging from 2% to 6% per annum during the period (the year ended 31 December 2013: 2% to 8%).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

21. BORROWINGS *(CONTINUED)*

Movements in borrowings are analysed as follows:

Six months ended 30 June 2014	***RMB'000***
Opening amount at 1 January 2014 (audited)	**170,208,248**
Additions during the period	**88,737,906**
Acquisition of subsidiaries (Note 23)	**960,989**
Repayments of borrowings	**(79,806,469)**
Closing amount at 30 June 2014 (unaudited)	**180,100,674**

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

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

	30 June 2014 ***RMB'000*** **(unaudited)**	31 December 2013 *RMB'000* (audited)
Property, plant and equipment	**12,178,755**	10,694,647
Prepaid lease payments	**396,205**	1,071,633
Investment properties	**201,536**	230,326
Mining rights	**82,751**	36,563
Pledged bank deposits (Note 19)	**3,492,404**	2,895,511
Trade receivables	**868,571**	686,724
Bills receivable	**3,304,888**	1,593,613
	20,525,110	17,209,017

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

22. SHARE CAPITAL

	Domestic Shares (Note (a))		H Shares (Note (b))		
	Number of shares	Amount	Number of shares	Amount	Total capital
		RMB'000		*RMB'000*	*RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

There are no movements in share capital during the six months period ended 30 June 2014.

Notes:

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

23. BUSINESS COMBINATIONS

During the period, the Group acquired 24 subsidiaries and certain businesses. The acquired subsidiaries and businesses are principally engaged in the production, storage and sale of cement, concrete and lightweight building materials, and engineering services.

These acquisitions have been accounted for using the purchase method.

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

	30 June 2014 Fair value *RMB'000* (unaudited)	31 December 2013 Fair value *RMB'000* (audited)
Net assets acquired:		
Property, plant and equipment (Note 12)	**1,816,703**	16,855,764
Intangible assets	**7,524**	525,735
Interests in an associate	**16,518**	—
Prepaid lease payments	**272,445**	1,620,719
Available-for-sale financial assets	**500**	100
Deferred income tax assets	**17,640**	150,469
Inventories	**244,248**	1,463,939
Trade and other receivables	**1,540,367**	5,386,193
Amounts due from the related parties	**19,786**	38,118
Pledged bank deposits	**—**	121,730
Cash and cash equivalents	**581,760**	889,284
Trade and other payables	**(2,366,608)**	(16,013,979)
Current income tax recoverable/(liabilities)	**178**	(45,716)
Dividend payable to non-controlling interests	**(27,008)**	(69,667)
Amounts due to the related parties	**(209,397)**	(270,823)
Borrowings (Note 21)	**(960,989)**	(3,797,570)
Deferred income	**(4,234)**	—
Obligation under finance leases	**—**	(188,569)
Deferred income tax liabilities	**(6,955)**	(404,312)
Net assets	**942,478**	6,261,415

The acquisition-related costs of approximately RMB0.96 million (31 December 2013: approximately RMB14.93 million) have been recognised in the condensed consolidated income statement.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

23. BUSINESS COMBINATIONS *(CONTINUED)*

	30 June 2014 Fair value *RMB'000* (unaudited)	31 December 2013 Fair value *RMB'000* (audited)
Net assets acquired	**942,478**	6,261,415
Non-controlling interests	**(332,595)**	(248,005)
Interest transferred from available-for-sale financial assets	**—**	(13,500)
Interests transferred from interests in associates	**—**	(131,113)
Discount on acquisition of interests in subsidiaries	**(188,885)**	(28,363)
Goodwill (Note 13)	**219,398**	11,308,459
Total consideration	**640,396**	17,148,893

	30 June 2014 *RMB'000* (unaudited)	31 December 2013 *RMB'000* (audited)
Total consideration satisfied by:		
Cash	**162,334**	4,369,875
Other payables	**478,062**	12,779,018
	640,396	17,148,893
Net cash inflow/(outflow) arising on acquisitions:		
Cash consideration paid	**(162,334)**	(4,369,875)
Less: Cash and cash equivalents acquired	**581,760**	889,284
	419,426	(3,480,591)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

23. BUSINESS COMBINATIONS *(CONTINUED)*

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

The goodwill arising on the acquisition of these subsidiaries and businesses is mainly attributable to the benefit of expected revenue growth and future market development in Guizhou province, Jiangsu province, Shandong province and Bayan Nur (Inner Mongolia Autonomous Region) and the synergies in consolidating the Group's cement, concrete and lightweight building materials. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The discount on acquisition was the result of losses incurred by those subsidiaries in prior years' operations and the additional capital to be injected by the Group required to expand the production facilities in future.

Included in the revenue and profit for the period are approximately RMB876.59 million and RMB37.46 million respectively attributable to the additional business generated by these newly acquired subsidiaries and businesses.

Had these business combinations been effected at 1 January 2014, the revenue for the period of the Group would be approximately RMB55,791.26 million, and profit for the period of the Group would be approximately RMB2,874.64 million. The directors of the Group consider these 'pro-forma' only an approximate measure of the performance of the combined group for the interim period and is used as reference point for comparison in future periods.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

(a) Acquisition of additional interests in subsidiaries

During the six months ended 30 June 2014, the Group acquired additional issued shares of 9 subsidiaries for a consideration of approximately RMB232.87 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB141.87 million. The Group recognised a decrease in non-controlling interests of approximately RMB141.87 million and a decrease in equity attributable to owners of the Company of approximately RMB91.00 million.

	30 June 2014 *RMB'000* **(unaudited)**	30 June 2013 *RMB'000* (unaudited)
Carrying amount of non-controlling interests acquired	**141,868**	57,950
Consideration paid to non-controlling interests	**(232,869)**	(77,028)
Excess of consideration paid recognised within equity	**(91,001)**	(19,078)

Details of the Group's significant acquisition of additional interests in subsidiaries during the period are as follows:

On 1 January 2014, North Cement Company Limited ("North Cement"), a subsidiary of the Company, acquired an additional 30% of the issued share of Jinzhou North Cement Company Limited (「錦州北方水泥有限公司」) ("Jinzhou") for a purchase consideration of approximately RMB21.81 million. The carrying amount of the non-controlling interests in Jinzhou on the date of acquisition was approximately RMB11.64 million. The Group recognised a decrease in non-controlling interests of approximately RMB11.64 million and decrease in equity attributable to owners of the Group of approximately RMB10.17 million.

On 1 January 2014, North Cement acquired additional 20% of the issued shares of 8 subsidiary companies, collectively referred as the Beijiang group (「北疆」) for a purchase consideration of approximately RMB211.06 million. The carrying amount of the non-controlling interests in the Beijiang group on the date of acquisition was approximately RMB130.23 million. The Group recognised a decrease in non-controlling interests of approximately RMB130.23 million and decrease in equity attributable to owners of the Group of approximately RMB80.83 million.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

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

	30 June 2014	30 June 2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Carrying amount of equity interest obtained by non-controlling interests	**(34,348)**	(2,693,266)
Capital contributed by non-controlling interests	**26,100**	2,630,000
Loss on disposal within equity	**(8,248)**	(63,266)

On 14 February 2014, non-controlling parties of China United Concrete Jining Company Limted (「濟寧中聯混凝土有限公司」) ("Jining") injected RMB21.43 million as registered share capital and RMB4.67 million as share premium. After that, the Group's effective equity interests in Jining were diluted from 100% to 70%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB8.25 million and increase in non-controlling interests of approximately RMB34.35 million.

25. COMMITMENTS

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure of the Group contracted but not provided for:		
— Acquisition of property, plant and equipment	**356,821**	667,331
— Acquisition of prepaid lease payments	**1,432**	49,417
— Acquisition of subsidiaries	**—**	165,186

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

26. CONTINGENT LIABILITIES

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Guarantees given to banks in respect of banking facilities		
— Utilised by independent third parties	**—**	85,000

27. RELATED PARTY TRANSACTIONS

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

27. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of production supplies to		
— the Parent Group	**3,511**	2,331
— Associates	**307,936**	109,856
— Non-controlling interests of subsidiaries	**135,126**	215,758
	446,573	327,945
Provision of support services to		
— the Parent Group	**666**	231,573
— Associates	**—**	3
— Non-controlling interests of subsidiaries	**—**	54,788
	666	286,364
Rental income received from		
— the Parent Group	**1,288**	945
— Associates	**10,246**	9,882
	11,534	10,827
Rendering of engineering services to the Parent Group	**59,835**	9,253
Supply of raw materials by		
— the Parent Group	**13,585**	46,892
— Associates	**12,150**	—
	25,735	46,892

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

27. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of production supplies by		
— the Parent Group	**76,112**	39,639
— Associates	**180,473**	—
— Non-controlling interests of subsidiaries	**1,956**	66,806
	258,541	106,445
Provision of support services by		
— the Parent Group	**2,635**	643
— Non-controlling interests of subsidiaries	**—**	160
	2,635	803
Rental expenses paid to		
— the Parent Group	**—**	782
— Non-controlling interests of subsidiaries	**—**	1,760
	—	2,542
Interest income received from		
— Associates	**780**	62,130
— Non-controlling interests of subsidiaries	**—**	317
	780	62,447
Interest expenses paid to		
— Associates	**98**	—
— Non-controlling interests of subsidiaries	**—**	675
	98	675

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

27. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Rendering of engineering services by the Parent Group	**1,155**	437
Supplying of equipment by		
— the Parent Group	**29,947**	65,336
— Non-controlling interests of subsidiaries	**—**	600
	29,947	65,936

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

	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Amounts due from related parties		
Trading in nature:		
— Fellow subsidiaries	**2,201,882**	2,457,584
— Associates	**724,002**	604,344
— Non-controlling interests of subsidiaries	**349,686**	308,945
	3,275,570	3,370,873
Non-trading in nature:		
— Fellow subsidiaries	**1,006,069**	565,734
— Associates	**3,797,917**	3,899,408
— Immediate holding company	**46**	46
— Non-controlling interests of subsidiaries	**752,820**	423,177
	5,556,852	4,888,365
	8,832,422	8,259,238

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

27. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Amounts due to related parties		
Trading in nature:		
— Fellow subsidiaries	**336,782**	292,612
— Associates	**386,460**	146,598
— Immediate holding company	**3,235**	—
— Non-controlling interests of subsidiaries	**796,794**	143,499
	1,523,271	582,709
Non-trading in nature:		
— Fellow subsidiaries	**89,124**	54,630
— Associates	**18,032**	22,863
— Immediate holding company	**227**	308,337
— Non-controlling interests of subsidiaries	**447,704**	1,554,172
	555,087	1,940,002
	2,078,358	2,522,711

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

As at 30 June 2014, amounts due from related parties of approximately RMB840.92 million (31 December 2013: approximately RMB3,832.55 million) carry the fixed interest rate of 6.00% to 7.00% (31 December 2013: 6.00%) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2014, amounts due to related parties of approximately RMB104.31 million (31 December 2013: approximately RMB403.26 million) carry the fixed interest rate of 6.00% to 7.00% (31 December 2013: 6.00%) per annum. As at 30 June 2014, amounts due to related parties of approximately RMB154.12 million (31 December 2013: RMBnil) carry the variable loan interest stipulated by the bank for the corresponding period at rate of 6.00% to 7.00% (31 December 2013: nil) per annum. The remaining balances of amounts due to related parties are interest-free.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

27. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

During the six months ended 30 June 2014, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 30 June 2014 and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2014 are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**3,514**	3,541
Share based payments	**—**	—
Post-employment benefits	**100**	101
	3,614	3,642

28. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information set out on pages 48 to 88 have been approved and authorised for issue by the Board of Directors on 22 August 2014.