



**2014 INTERIM REPORT**

**Anhui Conch Cement Company Limited**

(A Share: 600585 H Share: 00914)



## Important

The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company warrant that the information in this report, for which they jointly and severally accept legal liability, is truthful, accurate and complete, and does not contain any misrepresentation, misleading statements or material omission.

Mr. Guo Wensan (Chairman), Mr. Wang Jianchao (General manager) and Mr. Zhou Bo (Chief accountant) warrant that the financial report contained herein is true, accurate and complete.

During the Reporting Period, there was no appropriation of the Company's funds for nonoperating purpose by the controlling shareholders of the Company and its related parties.

During the Reporting Period, there was no external guarantee in violation of the established decision-making procedures.

Unless otherwise stated, all financial data in this report are prepared in accordance with the PRC Accounting Standards and International Financial Reporting Standards, all monetary amounts herein are denominated in RMB.

## Definitions

The following terms and expressions contained in this report shall, unless the context otherwise requires, have the meanings assigned to them as follows:

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	the Company and its subsidiaries
Board	:	the board of Directors
Director(s)	:	the director(s) of the Company
Supervisory Committee	:	the supervisory committee of the Company
Supervisor(s)	:	the supervisor(s) of the Company
Baoshan Conch	:	Baoshan Conch Cement Co., Ltd.
Bazhong Conch	:	Bazhong Conch Cement Co., Ltd.
Chongqing Conch	:	Chongqing Conch Cement Co., Ltd.
Foshan Conch	:	Foshan Conch Cement Co., Ltd.
Guiding Conch	:	Guiding Conch Panjiang Cement Co., Ltd.
Haichang Port	:	YangZhou Haichang Port Industrial Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
Conch Venture Property	:	Wuhu Conch Venture Property Co., Ltd.
CCVH	:	China Conch Venture Holdings Limited
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Energy Conservation	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
Conch Design	:	Anhui Conch Construction Materials Design Institute
Conch Property	:	Wuhu Conch Property Management Co., Ltd.

## Definitions

Mingzhu Conch	:	Shanghai Mingzhu Conch Cement Co., Ltd.
Jiangmen Conch	:	Jiangmen Conch Cement Co., Ltd.
Jidong Cement	:	Tangshan Jidong Cement Co., Ltd.
Jiande Conch	:	Jiande Conch Cement Co., Ltd.
Jining Conch	:	Jining Conch Cement Co., Ltd.
Liangping Conch	:	Liangping Conch Cement Co., Ltd.
Lingyun Tonghong	:	Guangxi Lingyun Tonghong Cement Co., Ltd.
Longshan Cement	:	Yingde Longshan Cement Co., Ltd.
Liquan Conch	:	Liquan Conch Cement Co., Ltd.
Refractory Material	:	Anhui Conch Siam Refractory Material Co., Ltd.
PT Conch	:	PT Conch South Kalimantan Cement
Qingsong Building Materials and Chemicals	:	Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd.
Sanshan Port	:	Wuhu Sanshan Conch Port Co., Ltd.
Wenshan Conch	:	Wenshan Conch Cement Co., Ltd.
Wuhu Conch	:	Wuhu Conch Cement Co., Ltd.
Prosperity Conch	:	Prosperity Conch Cement Co., Ltd.
Indonesia Conch	:	PT Conch Cement Indonesia
Zunyi Conch	:	Zunyi Conch Panjiang Cement Co., Ltd.
Reporting Period	:	the period from 1 January 2014 to 30 June 2014
Low-NOx staged combustion technology modification	:	The combustion technology that enables staged combustion of coal powder and air under different environment to prevent the formation of NOx emissions

## Definitions

SNCR flue gas denitration technology modification	:	Selective non-catalytic reduction denitration technology modification, for the purpose of denitration by spraying ammonia or urea
BOT	:	the abbreviation of “build – operate – transfer”
PRC Accounting Standards	:	China Accounting Standards for Business Enterprises
A Shares	:	ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	:	foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
HKSE Listing Rules	:	The Rules Governing the Listing of Securities on the Stock Exchange
SSE	:	Shanghai Stock Exchange
SSE Listing Rules	:	The Rules Governing the Listing of Stocks on the SSE
Clinker	:	semi-finished products made in the manufacturing process of cement
Hong Kong	:	Hong Kong Special Administrative Region of the PRC
Indonesia	:	Indonesia
RMB	:	Renminbi, the lawful currency of the PRC
PRC	:	The People’s Republic of China
CSRC	:	China Securities Regulatory Commission
Articles	:	Articles of Association of the Company

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## 1. Corporate Profile

- (1) **Official Chinese name of the Company** : 安徽海螺水泥股份有限公司  
**Official English name of the Company** : ANHUI CONCH CEMENT COMPANY LIMITED  
**Abbreviation in English** : ACC
- (2) **Legal Representative of the Company** : Guo Wensan
- (3) **Secretary to the Board (Company Secretary)** : Yang Kaifa  
**Phone number** : 0086 553 8398927  
**Fax number** : 0086 553 8398931  
**Company secretary (Hong Kong)** : Leo P. Y. Chiu  
**Phone number** : 00852 2111 3220  
**Fax number** : 00852 2111 3299  
**Securities Affairs Representatives** : Liao Dan  
**Phone number** : 0086 553 8398911  
**Fax number** : 0086 553 8398931  
**E-mail** : dms@conch.cn
- (4) **Registered address of the Company** : 39 Wenhua Road, Wuhu City, Anhui Province, the PRC  
**Office address of the Company** : 1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC  
**Postal code** : 241070  
**Email address of the Company** : cement@conch.cn  
**Website of the Company** : <http://www.conch.cn>  
**Contact address in Hong Kong** : 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- (5) **Exchange on which the Company's shares are listed:**
- H Shares** : Stock Exchange  
**Stock code** : 00914  
**A Shares** : SSE  
**Stock code** : 600585  
**Stock name** : Conch Cement

## 1. Corporate Profile

- (6) International auditors** : KPMG Certified Public Accountants  
8th Floor, Prince's Building, 10 Chater Road,  
Central, Hong Kong
- PRC auditors** : KPMG Huazhen Certified Public Accountants (Special  
General Partnership)  
8th Floor, Office Tower 2, Oriental Plaza, 1 East  
Chang An Avenue, Beijing, the PRC
- (7) H Shares share registrar  
and transfer office** : Hong Kong Registrars Limited  
17/F, Hopewell Centre, 183 Queen's Road East,  
Wanchai, Hong Kong



## 2. Summary of Accounting Data and Financial Indicators

### 1. ACCOUNTING DATA PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

**Table 1:**

Items	As at 30 June 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	<b>95,904,738</b>	93,094,480	3.02
Net assets attributable to equity shareholders of the Company	<b>60,009,051</b>	56,118,028	6.93

**Table 2:**

Items	Six months ended 30 June 2014 (RMB'000)	Six months ended 30 June 2013 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Net cash flow generated from operating activities	<b>8,153,994</b>	6,354,890	28.31
Revenue	<b>28,784,483</b>	23,587,088	22.03
Net profit attributable to equity shareholders of the Company	<b>5,821,291</b>	3,059,897	90.24
Net profit attributable to equity shareholders of the Company after extraordinary items	<b>5,553,227</b>	2,780,226	99.74
Basic earnings per share (RMB/share)	<b>1.10</b>	0.58	90.24
Diluted earnings per share (RMB/share)	<b>1.10</b>	0.58	90.24
Basic earnings per share after extraordinary items (RMB/share)	<b>1.05</b>	0.52	99.74
Weighted average return on net assets (%)	<b>9.92</b>	6.14	Increased by 3.78 percentage point
Weighted average return on net assets after extraordinary items (%)	<b>9.46</b>	5.58	Increased by 3.88 percentage point

## 2. Summary of Accounting Data and Financial Indicators

**Table 3:**

Extraordinary items for the Reporting Period	Amount (RMB'000)
(1) Gain/(Loss) on disposal of non-current assets	(582)
(2) Government subsidy	315,307
(3) Gain/(Loss) on changes in the fair value of financial assets held for trading and gain on disposal of financial assets held for trading	(571)
(4) Entrusted fee income obtained from entrusted operation	12,143
(5) Charges on share of funds received from non-financial enterprises included in the current income statement	704
(6) Gains arising from the excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the investment costs for acquisition of the subsidiaries, associates and joint ventures	13,090
(7) Gain/(Loss) on entrusted loans	11,612
(8) Other non-operating income and expenses other than the above items	5,241
(9) Effect of extraordinary items on income tax	(84,830)
(10) Effect of extraordinary items on minority interests	(4,050)
<b>Total</b>	<b>268,064</b>

## 2. FINANCIAL SUMMARY PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Items	Six months ended 30 June 2014 (RMB'000)	Six months ended 30 June 2013 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	28,784,483	23,587,088	22.03
Net profit attributable to equity shareholders of the Company	5,810,861	3,058,517	89.99
Items	As at 30 June 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	95,904,738	93,094,480	3.02
Total liabilities	32,862,863	34,692,721	(5.27)

## 2. Summary of Accounting Data and Financial Indicators

### 3. EXPLANATIONS FOR DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS AND THE IFRS

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	Six months ended 30 June 2014 (RMB'000)	Six months ended 30 June 2013 (RMB'000)	As at 30 June 2014 (RMB'000)	As at 31 December 2013 (RMB'000)
As reported in the statutory financial statements in accordance with the PRC Accounting Standards	5,821,291	3,059,897	60,009,051	56,118,028
– Deferral of subsidy income not subject to “China Accounting Standards for Business Enterprises No.16 – Government Subsidy” in accordance with the IFRS	(10,430)	(1,380)	(364,958)	(354,527)
As reported in accordance with the IFRS	5,810,861	3,058,517	59,644,093	55,763,501

## 3. Management Discussion and Analysis

### MACRO-ENVIRONMENT

During the first half of 2014, the PRC's economy showed a steady development trend. The year-on-year GDP growth rate was 7.4%, down by 0.2 percentage point as compared to the corresponding period of last year. Fixed asset investments across the country saw a year-on-year growth rate of 17.3%, decreased by 2.8 percentage points as compared to the same period of last year, whereas property investment sustained a year-on-year increase of 14.1%, down by 6.2 percentage points from that of the same period of last year. (Source: *National Bureau of Statistics of China*)

During the first half of 2014, the PRC's cement production volume rose by 3.58% year-on-year to 1,144 million tonnes, and the growth rate represented a decrease of 6.09 percentage points from that in the same period of last year. Investments in the PRC cement industry was down by 12.17% year-on-year to RMB49.2 billion. Affected by the year-on-year decrease in growth rate of the fixed asset and property investments, growth in the cement market demand slowed down, and market competition was intensified. However, as the state implemented stricter control over the approval for new projects of the cement industry, investments in the industry showed a declining trend, resulting in gradual decrease in new production capacity. (Source: *Digital Cement*)

### ANALYSIS OF OPERATIONAL CONDITIONS

#### Operations

During the first half of 2014, the Group took proactive steps to hedge the adverse effects of various factors such as the decrease in the growth rate of fixed asset investments, the downturn in the property market and the decline in cement market demand, and developed a region-specific marketing strategy based on the characteristics of each regional market and changes in market conditions, in an effort to explore markets, make the best use of production capacity and increase product sales volume. The Group also leveraged on its competitive edge in bulk centralized procurement and optimized the procurement channels of raw materials and fuel to lower the procurement costs. Furthermore, the Group strengthened indicator management and optimized production organization to improve operation quality, thereby achieving better operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue arising from its principal activities amounted to RMB27,970 million, representing an increase of 20.51% from that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB5,821 million, representing an increase of 90.24% from that in the same period of last year; and earnings per share were RMB1.10. In accordance with the IFRS, the revenue amounted to RMB28,784 million, representing an increase of 22.03% from that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB5,811 million, representing an increase of 89.99% from that in the same period of last year; and earnings per share were RMB1.10.

### 3. Management Discussion and Analysis

During the Reporting Period, the Group promoted steady progress in project construction as well as merger and acquisition, and proactively implemented its international development strategy. With the successful acquisition of four cement projects including Shaoyang Yunfeng, Hunan Yunfeng, Shuicheng Conch and Kunming Hongxi and the commencement of operation of three clinker production lines including Baoshan Conch and 10 cement grinding units including Liangping Conch, the production capacity of clinker and cement increased by a total of 10.90 million tonnes and 17.7 million tonnes respectively. The project of PT Conch in Indonesia was in smooth progress, and the relevant equipment installation has almost completed. The project in Burma achieved substantial progress, and the relevant preliminary works of the BOT project jointly implemented with local partners was basically completed.

Moreover, leveraging on the existing resources, the Group proactively pushed ahead the aggregate projects. The three aggregate projects of Liquan Conch, Jiande Conch and Jining Conch had completed construction and been put into operation, while the other nine aggregate projects of Wuhu Conch, Prosperity Conch and other companies had commenced construction, with a total production capacity of 12.5 million tonnes.

Meanwhile, the Group continued to promote the development of energy conservation and environmental protection in cement projects. The four residual heat electricity generation units located at Lingyun Tonghong, Baoshan Conch and other companies were put into operation with an additional installed capacity of 36MW. The Group continued to implement low-NOx staged combustion technology modification for clinker production lines and SNCR flue gas denitration technology modification. As at the end of the Reporting Period, the Group had completed technical upgrade of NOx reduction to 101 production lines, which were running smoothly.

As at the end of the Reporting Period, the production capacity of clinker and cement of the Group reached 200 million tonnes and 245 million tonnes respectively, and the total installed capacity of residual heat electricity generation amounted to 941MW.

During the Reporting Period, there were no significant changes in the core competitiveness of the Group.

#### **Sales Market Overview**

During the Reporting Period, the Group realised an aggregate net sales volume of cement and clinker of 114 million tonnes, representing a year-on-year growth of 9.85%. The sales revenue increased by 20.51% as compared to that in the same period of last year.



### 3. Management Discussion and Analysis

#### Market and sales by region

Region	Sales amount by region					
	Six months ended 30 June 2014		Six months ended 30 June 2013		Change in sales amount (%)	Change in sales proportion (Percentage points)
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China <sup>Note 1</sup>	9,403,660	33.62	7,748,181	33.38	21.37	0.24
Central China <sup>Note 2</sup>	7,113,969	25.43	6,643,696	28.63	7.08	(3.20)
South China <sup>Note 3</sup>	5,173,197	18.50	4,092,120	17.63	26.42	0.87
West China <sup>Note 4</sup>	5,511,713	19.71	4,042,552	17.42	36.34	2.29
Export	767,743	2.74	682,770	2.94	12.45	(0.20)
<b>Total</b>	<b>27,970,282</b>	<b>100.00</b>	<b>23,209,319</b>	<b>100.00</b>	<b>20.51</b>	<b>-</b>

Notes:

1. East China includes Jiangsu province, Zhejiang province, Shanghai, Fujian province and Shandong province;
2. Central China includes Anhui province, Jiangxi province, Hunan province and Hubei province;
3. South China includes Guangdong province and Guangxi province;
4. West China includes Sichuan province, Chongqing, Guizhou province, Yunnan province, Gansu province, Shaanxi province and Xinjiang.

During the Reporting Period, the Group made great efforts in expanding market coverage, made best use of the production capacity and strengthened study and assessment on the supply-and-demand condition of each regional market to make timely adjustments to its marketing strategy, resulting in an increase in cement sales volume of each region.

The overall market in East China remained stable with relatively weak growth in demand and production capacity. By enhancing resource allocation and adjusting product prices in a timely manner, the Company recorded a year-on-year increase of 3.94% in sales volume and a year-on-year increase of 21.37% in sales amount.

Due to the temporary increase of production capacity, the competition in the cement market of Central China was relatively intense. In light of the market conditions, the Company adjusted its marketing strategy on a timely basis and stepped up its efforts in exploring markets, resulting in a year-on-year increase of 1.97% in sales volume and a year-on-year increase of 7.08% in sales amount.

### 3. Management Discussion and Analysis

Due to the robust demand in the cement market of South China, the market price remained at a relatively high level. The Company reported a year-on-year increase of 8.21% in sales volume and a year-on-year increase of 26.42% in sales amount.

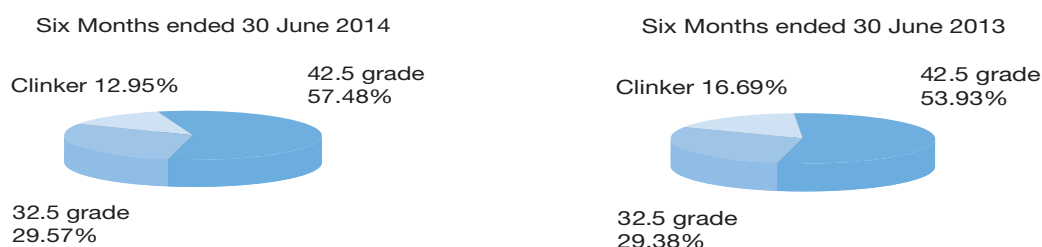
In West China, with the acquisitions and mergers made by the Company and the release of production capacity of the new projects, which further reinforced the Group's market dominance and competitiveness, the sales volume and sales amount increased by 34.65% and 36.34% respectively on a year-on-year basis.

On the front of export, with the recovery of the international cement market, the export sales volume and sales amount increased by 15.36% and 12.45% respectively on a year-on-year basis.

#### Sales by type of products

During the Reporting Period, since the Group had put effort in sales of cement and reduced the proportion of clinker sold to external parties, the sales contribution of the 42.5-grade cement increased by 3.55 percentage points year-on-year to 57.48%, while the sales contribution of clinker decreased by 3.74 percentage points year-on-year to 12.95%.

#### Percentage of sales amount by type of products



### PROFIT ANALYSIS

#### Major items in the income statement prepared in accordance with the PRC Accounting Standards

Item	Amount		Change from that of the corresponding period of last year (%)
	Six months ended 30 June 2014 (RMB'000)	Six months ended 30 June 2013 (RMB'000)	
Revenue from principal activities	27,970,282	23,209,319	20.51
Profit from operations	7,365,511	3,635,232	102.61
Profit before taxation	7,845,209	4,060,820	93.19
Net profit attributable to equity shareholders of the Company	5,821,291	3,059,897	90.24

### 3. Management Discussion and Analysis

During the Reporting Period, benefiting from the increased sales volume and selling prices of the Group's products, the Group's revenue generated from principal activities increased by 20.51% year-on-year to RMB27,970.28 million, and its profit from operations amounted to RMB7,365.51 million, representing a year-on-year increase of 102.61%. The net profit attributable to equity shareholders of the Company increased by 90.24% year-on-year to RMB5,821.29 million.

#### Gross profit by type of products for the six months ended 30 June 2014 and year-on-year comparison

Product	Revenue from principal activities (RMB'000)	Costs of principal activities (RMB'000)	Gross profit margin for the Reporting Period (%)	Gross profit margin for the same period of last year (%)	Year-on-year change in gross profit margin (Percentage points)
42.5 grade cement	16,061,782	10,012,133	37.66	28.89	8.77
32.5 grade cement	8,261,895	5,103,961	38.22	33.00	5.22
Clinker	3,617,316	2,557,025	29.31	19.27	10.04
Aggregate and Carpolite	29,289	14,645	50.00	-	-
<b>Total</b>	<b>27,970,282</b>	<b>17,687,764</b>	<b>36.76</b>	<b>28.49</b>	<b>8.27</b>

(Note: The 42.5-grade cement includes cement of grade 42.5 and above)

During the Reporting Period, benefiting from the substantial increase in selling prices and the decrease in costs, the consolidated gross profit margin recorded a year-on-year increase of 8.27 percentage points to 36.76%, of which the gross profit margin of the 42.5-grade cement increased by 8.77 percentage points on a year-on-year basis. In addition, the Group reported a sales volume of 1.05 million tonnes of aggregate and carpolite with a gross profit margin of 50%.

#### ANALYSIS OF COSTS AND EXPENSES

##### Comparison of consolidated costs

Item	Six months ended 30 June 2014		Six months ended 30 June 2013		Change in unit cost (%)	Change in costs proportion (Percentage points)
	Unit cost (RMB/ton)	Percentage (%)	Unit cost (RMB/ton)	Percentage (%)		
Raw materials	30.95	19.88	27.72	17.26	11.66	2.62
Fuel and power	94.99	61.02	102.31	63.71	(7.16)	(2.69)
Depreciation expense	11.88	7.63	12.97	8.08	(8.40)	(0.45)
Labor cost and others	17.84	11.47	17.59	10.95	1.42	0.52
<b>Total</b>	<b>155.66</b>	<b>100.00</b>	<b>160.59</b>	<b>100.00</b>	<b>(3.07)</b>	<b>-</b>

### 3. Management Discussion and Analysis

During the Reporting Period, the Company recorded a consolidated cost of RMB155.66/tonne, representing a year-on-year decrease of RMB4.93/tonne or 3.07%. With regard to the cost elements, the cost of fuel and power decreased by RMB7.32/tonne or 7.16% as compared to the same period of last year, which was mainly attributable to the decrease in coal price and improvement in the key indicators such as consumption of coal and electricity, while the depreciation expense decreased by 8.40% as compared to the same period of last year, which was mainly attributable to the further dilution of fixed cost due to effective realization of production capacity and improvement in the utilization rate of the production facilities of the Company.

#### Changes in major expense items prepared in accordance with the PRC Accounting Standards

Expenses for the period	Amount for the Reporting Period (RMB'000)	Amount for the same period of last year (RMB'000)	As a percentage to revenue from principal activities for the Reporting Period (%)	As a percentage of revenue from principal activities for the same period of last year (%)	Change in percentage of revenue from principal activities (Percentage points)
Selling expenses	1,319,472	1,209,471	4.72	5.21	(0.49)
Administrative expenses	1,081,259	1,000,616	3.86	4.31	(0.45)
Financial expenses (net)	370,806	532,110	1.33	2.29	(0.96)
<b>Total</b>	<b>2,771,537</b>	<b>2,742,197</b>	<b>9.91</b>	<b>11.81</b>	<b>(1.90)</b>

During the Reporting Period, driven by the increase in sales volume of the Company, the Group's selling, administrative and financial expenses increased by RMB29.34 million as compared to the corresponding period of last year. The above expenses in aggregate as a percentage of revenue generated from principal activities was 9.91%, down by 1.90 percentage points as compared to the corresponding period of last year.

### 3. Management Discussion and Analysis

#### FINANCIAL POSITION

##### Asset and liability overview

##### Changes in assets and liabilities prepared in accordance with the PRC Accounting Standards

Item	30 June	31 December	Change as at
	2014	2013	the end of the
	(RMB'000)	(RMB'000)	Reporting Period
			as compared
			to those at the
			beginning of
			the year
			(%)
Fixed assets	<b>53,657,431</b>	51,527,441	4.13
Current and other assets	<b>42,247,307</b>	41,567,039	1.64
Total assets	<b>95,904,738</b>	93,094,480	3.02
Current liabilities	<b>13,112,615</b>	14,545,325	(9.85)
Non-current liabilities	<b>19,368,480</b>	19,783,975	(2.10)
Minority interests	<b>3,414,592</b>	2,647,152	28.99
Equity attributable to shareholders			
of the Company	<b>60,009,051</b>	56,118,028	6.93
Total liabilities and equity	<b>95,904,738</b>	93,094,480	3.02

As at 30 June 2014, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB95,904.74 million and RMB32,481.10 million respectively, representing an increase of 3.02% and a decrease of 5.38% respectively as compared to those at the end of the previous year. As at the 30 June 2014, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 33.87%, representing a decrease of 3.01 percentage points as compared to that at the end of the previous year.

Please refer to Note 26 to the Financial Accounting Report (Unaudited) in this report for information of the contingent liabilities of the Group.

As at 30 June 2014, equity attributable to shareholders of the Company amounted to RMB60,009.05 million, representing an increase of 6.93% as compared to that at the end of the previous year; net assets per share attributable to shareholders of the Company was RMB11.32.



### 3. Management Discussion and Analysis

As at 30 June 2014, the Group's net fixed assets prepared in accordance with the PRC Accounting Standards amounted to RMB53,657.43 million, representing an increase of 4.13% as compared to that at the end of the previous year; the current liabilities amounted to RMB13,112.62 million, representing a decrease of 9.85% as compared to that at the end of the previous year.

As at 30 June 2014, the Group's total current assets prepared in accordance with the PRC Accounting Standards amounted to RMB22,827.34 million, with a current ratio of 1.74:1 (end of last year: 1.69:1). The Group's total current assets and total current liabilities prepared in accordance with the IFRSs amounted to RMB23,135.50 million and RMB13,112.61 million respectively, with a net gearing ratio of 0.21 (as at the end of last year: 0.27). Net gearing ratio was calculated as follows: interest-bearing liabilities minus cash balances divided by shareholders' equity.

#### Liquidity and Source of Funds

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2014 is as follows:

	<b>As 30 June 2014 (RMB'000)</b>	31 December 2013 (RMB'000)
Due within 1 year	<b>1,763,716</b>	2,934,810
Due after 1 year but within 2 years	<b>1,833,538</b>	2,049,515
Due after 2 years but within 5 years	<b>1,097,773</b>	1,029,818
Due after 5 years	<b>272,820</b>	652,423
<b>Total</b>	<b>4,967,847</b>	6,666,566

As at 30 June 2014, the Group's aggregate borrowings were RMB4,967.85 million, representing a decrease of RMB1,698.72 million as compared to that at the beginning of the year. The decrease was mainly attributable to the repayment of loans due by the Group during the Reporting Period.

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB15.5 billion, of which RMB7 billion would be due after 1 year but within 2 years, RMB5 billion would be due after 2 years but within 5 years and RMB3.5 billion would be due after 5 years.

During the Reporting Period, the Group's source of funding was mainly the net cash flow generated from operating activities and internal resources.

### 3. Management Discussion and Analysis

#### Analysis of Cash Flow

#### Comparison of net cash flow prepared in accordance with the PRC Accounting Standards

	Six months ended 30 June 2014 (RMB'000)	Six months ended 30 June 2013 (RMB'000)
Net cash flows generated from operating activities	8,153,994	6,354,890
Net cash flows generated from investment activities	(2,872,739)	(3,440,849)
Net cash flows generated from financing activities	(4,868,756)	(2,217,367)
Effect of exchange rate movement on cash and cash equivalents	2,469	(6,957)
Net increase/(decrease) in cash and cash equivalents	414,968	689,717
Balance of cash and cash equivalents at the beginning of the year	6,518,932	8,110,974
Balance of cash and cash equivalents at the end of the period	6,933,900	8,800,691

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB8,153.99 million, representing an increase of RMB1,799 million as compared to that of last year. Such increase was mainly due to the increase in revenue as compared to the corresponding period of last year as a result of the increase in sales volume and selling prices.

During the Reporting Period, the Group's net cash outflows generated from investment activities decreased by RMB568 million as compared to that of last year, mainly due to the increase in realization of investments.

During the Reporting Period, the Group's net cash outflows generated from financing activities increased by RMB2,651 million as compared to that of last year, mainly due to the repayment of borrowings due and increase in dividend payment as compared to that of the corresponding period of last year.

#### Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB4,920 million, which was mainly used in the investment in construction of cement and clinker production lines and the residual heat electricity generation projects as well as the expenditure for merger and acquisition projects.

### 3. Management Discussion and Analysis

As at 30 June 2014, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts are set out as follows:

	<b>As at 30 June 2014 (RMB'000)</b>	As at 31 December 2013 (RMB'000)
Authorized and contracted for	<b>4,439,601</b>	4,801,756
Authorized but not contracted for	<b>4,589,885</b>	5,285,224
<b>Total</b>	<b>9,029,486</b>	10,086,980

#### EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

During the Reporting Period, as the exchange rate movement between RMB and US Dollar shifted from one-way appreciation to increased two-way volatility, the Group adjusted its operation strategy in response to exchange rate risk on a timely basis, i.e. from a centralized operation during the year to adopting a monthly dynamic operating approach to peg various forward exchange rates.

#### PROSPECT FOR THE SECOND HALF OF THE YEAR

In the second half of 2014, the PRC government will maintain steady development of the macro economy, continue to innovate the concept and approach of macro control and focus on implementation of directional control, in an effort to promote the sustainable and healthy development of the economy and the society.

For the cement industry, there are opportunities and challenges ahead. On the demand side, with the continuous decline in the growth of property investments, growth in cement demand is under pressure. However, benefiting from the government's increasing investments in the construction of railway, highways, hydraulic facilities and other infrastructures, and driven by various favourable factors such as accelerating the redevelopment of shanty areas, new urbanization and the establishment of Yangtze River Economic Zone, the cement demand is expected to grow. In the aspect of supply, the target for phase-out of backward capacity for 2014 announced by the Ministry of Industry and Information Technology was 50.5 million tonnes. Meanwhile, the promulgation of stricter environmental protection standards and the further implementation of differential tariff policy will facilitate the phase-out of backward capacity and the enhancement of industry concentration, which will help to improve the supply-and-demand condition.

### 3. Management Discussion and Analysis

In the second half of the year, adhering to the principal of “stepping up efforts to explore markets, effectively utilizing production capacity and improving overall operation quality”, the Group will endeavour to seize every potential opportunity and deal with the challenges ahead. The Group will continue to strengthen study and assessment on the supply-and-demand condition of regional markets and make timely adjustments to its marketing strategy, with an aim to increase market shares and enhance its market dominance. Meanwhile, the Group will keep on strengthening benchmark management and reinforce analysis and management of bulk raw materials and fuel, in an effort to reduce operation costs and improve operation efficiency of the Company.

In respect of project development, the Group will complete the construction of projects in progress including Wenshan Conch, Bazhong Conch and PT Conch in Indonesia according to the project investment plan for the year, while proactively proceeding with the development of other overseas projects in Indonesia and Burma. Adhering to the established principles and standards, the Group will identify suitable projects and carry out acquisitions and mergers to further fine-tune the market layout. Furthermore, the Group will vigorously push ahead the market layout and project construction of the aggregate business, so as to extend the industrial chain and facilitate sustainable development of the Company.

## 4. Report of the Directors

### (1) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

#### 1. Acquisition of project companies during the Reporting Period

(1) *Shaoyang Yunfeng New Energy Technology Co., Ltd.*

On 23 January 2014, the Company entered into an equity transfer agreement with the then shareholders of Shaoyang Yunfeng New Energy Technology Co., Ltd. (“Shaoyang Yunfeng”) in relation to the acquisition of 65% equity interests in Shaoyang Yunfeng.

The registered capital of Shaoyang Yunfeng is RMB120 million. Shaoyang Yunfeng, which is located in Yuxi Town, Shaoyang City, Hunan Province, currently owns a 4,500t/d new dry-processed clinker production line, a cement grinding system with a capacity of 2.2 million tpa and ancillary production, living and office facilities. On 18 February 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed, and the Company held its 65% equity interests.

(2) *Hunan Yunfeng Cement Co., Ltd.*

On 23 January 2014, the Company entered into an equity transfer agreement with the then shareholders of Hunan Yunfeng Cement Co., Ltd. (“Hunan Yunfeng”) in relation to the acquisition of 65% equity interests in Hunan Yunfeng.

The registered capital of Hunan Yunfeng is RMB93 million. Hunan Yunfeng, which is located in Longxi Town, Wugang City, Hunan Province, currently owns a 2,500t/d new dry-processed clinker production line, a cement grinding system with a capacity of 1.1 million tpa, a 5,000t/d new dry-processed clinker production line and a cement grinding system with a capacity of 2.2 million tpa (both are under construction) and ancillary production, living and office facilities. On 21 February 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed, and the Company held its 65% equity interests.

(3) *Shuicheng Conch Panjiang Cement Co., Ltd.*

On 5 March 2014, the Company entered into an equity transfer agreement with the then shareholders of Shuicheng Conch Panjiang Cement Co., Ltd. (“Shuicheng Conch”) in relation to the acquisition of 40% equity interests in Shuicheng Conch.



## 4. Report of the Directors

The registered capital of Shuicheng Conch is RMB507.6 million. Shuicheng Conch, which is located in Laoyingshan Town, Zhongshan District, Liupanshan City, Guizhou Province, currently owns two new dry-processed cement and clinker production lines each with a capacity of 2,500t/d and 3,200t/d, a cement grinding system with a capacity of 2.3 million tpa and ancillary production, living and office facilities. On 20 March 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed, and the Company held its 40% equity interests.

### (4) *Kunming Hongxi Cement Co., Ltd.*

On 5 May 2014, the Company entered into an equity transfer agreement with the then shareholders of Kunming Hongxi Cement Co., Ltd. (“Kunming Hongxi”) in relation to the acquisition of 80% equity interests in Kunming Hongxi.

The registered capital of Kunming Hongxi is US\$30.5067 million. Kunming Hongxi, which is located in Shilin County, Kunming City, Yunnan Province, currently owns a 2,500t/d new dry-processed clinker production line, a cement grinding system with a capacity of 1 million tpa and ancillary production, living and office facilities. On 23 May 2014, the procedures for the relevant transfer of equity interests and change of business registration were completed, and the Company held its 80% equity interests.

## 2. Capital increase in subsidiaries during the Reporting Period

- (1) In April 2014, the Board approved the cash injection to Indonesia Conch (a majority-owned subsidiary of the Company) by the shareholders in pro rata to their respective shareholdings, among which, the Company contributed US\$18.75 million. After completion of the capital increase, the registered capital of Indonesia Conch increased from US\$26 million to US\$51 million, and the Company will retain 75% equity interests. On 8 May 2014, the capital increase was approved by the relevant competent authority of Indonesia.
- (2) In June 2014, each shareholder had made cash injection to Mingzhu Conch (a majority-owned subsidiary of the Company) in pro rata to their respective then shareholdings, among which, the Company contributed RMB12.4178 million, while Zhongguo Cement Co., Ltd. (“Zhongguo Plant”), a wholly-owned subsidiary of the Company, contributed RMB2,932,200. After the capital increase, the registered capital of Mingzhu Conch increased from RMB13.71 million to RMB30 million, and the Company and Zhongguo Plant retained their 76.2% and 18% equity interests respectively.

## 4. Report of the Directors

### 3. Shareholdings in other listed companies and investments in securities

As approved and authorized by the Board, the Company utilized some of its own funds for making strategic investments in some PRC-listed companies in the cement industry with competitive strengths and growth potential. During the Reporting Period, the Company acquired 43,633,877 shares of Qingsong Building Materials and Chemicals and 51,635,757 shares of Jidong Cement for a total consideration of RMB563.01 million.

- (1) As at the end of the Reporting Period, the Group's shareholdings in other listed companies are set out as follows:

Stock code	Short name	Initial investment amount (RMB)	Percentage of shareholding at the beginning of the Reporting Period (%)	Percentage of shareholding at the end of the Reporting Period (%)	Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)	Change in equity interest during the Reporting Period (RMB)
600318	Chaodong Cement	98,019,695	16.28	16.28	337,535,449	-	(55,533,837)
000401	Jidong Cement	3,078,562,162	16.01	19.84	2,173,562,305	-	(51,443,740)
600425	Qingsong Building Materials and Chemicals	2,214,674,968	25.00	28.17	2,189,029,322	(23,765,902)	(23,765,902)
<b>Total</b>		<b>5,391,256,825</b>	<b>-</b>	<b>-</b>	<b>4,700,127,076</b>	<b>(23,765,902)</b>	<b>(130,743,479)</b>

Note: The shares held by the Group in Chaodong Cement and Jidong Cement were recognized in "Available-for-sale financial assets", while the shares in Qingsong Building Materials and Chemicals were recognized in "Long-term equity investments".

- (2) During the Reporting Period, the Group's trading of shares of other listed companies is set out as follows:

Stock code	Short name	Initial investment amount (RMB)	Number of shares held (shares)	Carrying amount as at the end of the Reporting Period (RMB)	Proportion to total security investments as at the end of the Reporting Period (%)	Profit/loss recognized during the Reporting Period (RMB)
600802	Fujian Cement	-	-	-	-	8,083,065

Note: The shares held by the Company in Fujian Cement were recognized in "Financial assets at fair value through profit or loss".

## 4. Report of the Directors

### 4. Major investments not applying the net proceeds raised from public issue of corporate bonds in 2012 during the Reporting Period

(Unit: RMB'000)

Items	Description of the investment projects	Progress of the project	Total investment of the project	Investment amount during the Reporting Period	Accumulated investment amount	Gain from the project during the Reporting Period
1	3,200t/d cement and clinker production line (phase 1) and 2x15MW residual heat electricity generation projects of PT Conch	Under construction	1,589,380	442,360	1,128,690	-
2	4,500t/d cement and clinker production line (phase 1) and 9MW residual heat electricity generation projects of Wenshan Conch	Under construction	812,120	277,430	481,640	-
3	4,500t/d cement and clinker production line (phase 1) and 9MW residual heat electricity generation projects of Baoshan Conch	In partial operation	816,900	224,210	658,040	(8,414.3)
<b>Total</b>		-	<b>3,218,400</b>	<b>944,000</b>	<b>2,268,370</b>	<b>(8,414.3)</b>

### 5. Principal majority-owned subsidiaries and invested companies

As at 30 June 2014, the Company had 117 majority-owned subsidiaries, 1 jointly-controlled entity and 2 associated entities. During the Reporting Period, the relevant financial information of the three subsidiaries with the highest net profits shown in the accounting statements prepared in accordance with the PRC Accounting Standards is set out below:

(Unit: RMB'000)

Items	Name	Registered capital	Total assets	Net assets	Revenue from principal activities	Profit from principal activities	Net profit
1	Wuhu Conch	660,000	4,690,929	1,578,860	1,750,490	579,540	451,190
2	Anhui Tongling Conch Cement Co., Ltd.	742,000	3,902,954	1,825,611	1,712,094	534,776	417,400
3	Anhui Chizhou Conch Cement Co., Ltd.	950,000	4,062,923	3,010,072	1,373,453	427,887	342,179

## 4. Report of the Directors

### 6. Financial entrustment

To enhance the efficiency of capital utilization, the Board approved the Company to use RMB1 billion of its own capital for financial entrustment during the Reporting Period. On 27 February 2014, the Company subscribed for the trust plan launched by Northern International Trust Co., Ltd. with a term of 83 days and engaged Haitong Securities Company Limited as its investment advisor. On 22 May 2014, the Company received the full amount of principal for the trust plan of RMB1 billion and the net gain from the wealth management amounting to RMB11.61 million, representing an annualized return rate of 5.10%.

### (2) IMPLEMENTATION OF THE 2013 PROFIT DISTRIBUTION PROPOSAL OF THE COMPANY

On 28 May 2014, the profit distribution proposal for the year 2013 was approved at the 2013 annual general meeting of the Company. On the basis of 5,299,302,579 shares which was the total number of shares in issue of the Company at the end of 2013, under such proposal, the Company paid to all the shareholders of the Company a cash dividend of RMB3.50 (tax inclusive) for every 10 shares held, totaling RMB1,854,755,902.65 (tax inclusive). As of 18 June 2014, the above dividend was paid to all the shareholders whose names appeared in the register of members on the relevant record date.

- (3) The Board did not recommend the payment of interim dividend or the transfer of surplus reserve to share capital for the interim period of 2014.

## 5. Significant Events

### (1) CORPORATE GOVERNANCE

Since the listing of the Company on the Stock Exchange and the SSE in 1997 and 2002 respectively, the Company has been continuously improving its corporate governance, perfecting its internal control and management systems and regulating its operation in accordance with the relevant domestic and overseas listing rules and regulatory requirements. Shareholders in general meeting, the Board and the Supervisory Committee of the Company have clearly defined power and duties, each assuming and performing its specific responsibilities and making its own decisions in an independent, efficient and transparent manner.

The general meeting is the body with the highest authority in the Company and operates in accordance with the Rules of Procedures of General Meeting. During the Reporting Period, legal advisers were present in witness of the convening of general meetings of the Company and provided legal advice in connection with the convention of general meetings to ensure that decision-making procedures and contents of general meetings are legal and valid and that shareholders of the Company can fully exercise their own rights.

The Board is the decision-making body for business operation of the Company, which is accountable to the shareholders in general meeting. It operates in accordance with the Articles and the Rules of Procedures of Board Meeting. The Directors organize and implement various resolutions of the general meeting in a diligent, prudent and responsible manner through decisions in scientific approach to facilitate the healthy and sound development of the Company.

The Supervisory Committee of the Company is a monitoring body of the Company, accountable to the shareholders in general meeting. It operates in accordance with the Rules of Procedures of Supervisory Committee. The Supervisors of the Company effectively monitor the performance of duties of the Directors and senior management and the legal compliance in the Company's operations.

### (2) MATERIAL LITIGATION, ARBITRATION AND NEGATIVE MEDIA INQUIRY

During the Reporting Period, the Group was not involved in any material litigation, arbitration or negative media inquiry which might have a material impact on the Group's business operation and management, nor were any of the current Directors, Supervisors and members of senior management of the Company involved in any material litigation or arbitration.



## 5. Significant Events

### (3) ACQUISITIONS OR DISPOSALS OF MATERIAL ASSETS

During the Reporting Period, the Group did not acquire or dispose of any material assets.

### (4) CONNECTED (OR RELATED PARTY) TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected (or related party) transactions under the SSE Listing Rules and the HKSE Listing Rules:

#### 1. Connected transactions or continuing connected transactions relating to daily operations

##### (1) Use of trademarks

On 23 September 1997, the Company and Conch Holdings, its controlling shareholder, entered into a trademark licensing agreement (“Trademark Licensing Agreement”), pursuant to which the Company has been granted a license to use certain permitted trademarks (including trademarks of “海螺” and “CONCH”) on permitted products in permitted regions for the period as set out in the terms of the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement is provided to be the same as the validity period of the permitted trademarks, and where the validity period of the permitted trademarks is extended, the Trademark Licensing Agreement in respect of the trademarks is agreed to be extended automatically. Under the Trademark Licensing Agreement, the Company is required to pay RMB1.513 million per annum for the use of the trademarks to Conch Holdings.

During the Reporting Period, the Group did not pay any of the above fees to Conch Holdings. Pursuant to the HKSE Listing Rules and the SSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to the independent shareholders’ approval requirements.

##### (2) Transaction with Sanshan Port – procurement of diesel oil

On 29 April 2014, as approved by the Board, the Company and Sanshan Port entered into a naphtha supply contract, pursuant to which Sanshan Port will supply to the Company’s subsidiaries located in Anhui Province with diesel oil needed for production, with the purchase price of no more than RMB205 million and the validity period commencing from 29 April 2014 and expiring on 31 March 2015. Due to several market factors, the diesel oil market changes more quickly and the diesel oil price fluctuates frequently, therefore

## 5. Significant Events

the Company purchased diesel oil from Sanshan Port at prices which will be adjusted in line with the market conditions mainly based on the governmental guidance prices for the month and with appropriate discounts, provided that the monthly settlement price shall not be higher than the purchase price offered to similar subsidiaries of the Company by independent third-party suppliers. Payment would be settled on a monthly basis.

During the Reporting Period, for the performance of the above-mentioned naphtha supply contract, the Group procured diesel oil from Sanshan Port for an amount of RMB20.36 million. Coupled with the purchases made under the naphtha supply contracts entered into in previous years, the aggregate amount of purchases of diesel oil by the Group from Sanshan Port during the Reporting Period amounted to RMB61.49 million.

### (3) *Transaction with Sanshan Port – procurement of coal*

On 29 April 2014, as approved by the Board, the Company entered into a coal sale and purchase contract with Sanshan Port, pursuant to which the Company will procure coal from Sanshan Port, with the purchase prices of no more than RMB72 million and the validity period commencing from 29 April 2014 and expiring on 31 December 2014. As the coal price fluctuated in response to market changes, the purchase prices were mainly determined based on the quality of the coal (i.e. calorific value) with reference to the prevailing market prices, provided that such prices shall not be higher than the prices offered to the Company by independent third parties for the same type of coal in the same period. Payment would be settled on cargo-by-cargo basis, i.e. payment for each cargo of goods would be made upon delivery.

During the Reporting Period, the Group purchased coal from Sanshan Port for an amount of RMB5.76 million.

### (4) *Transaction with Sanshan Port – Sale of commodity clinker*

On 29 April 2014, as approved by the Board, the Company entered into a clinker sale and purchase contract with Sanshan Port, with the selling price of no more than RMB150 million and the validity period commencing from 29 April 2014 and expiring on 31 December 2014. The price at which the Group sold clinker to Sanshan Port was determined mainly based on the market prices for the same period and adjusted in line with the market price fluctuations for the whole year, with reference to the selling prices and policies offered to the similar independent third-party customers in the same region by the affiliated factories of the Company for the same period. Payment would be advanced prior to delivery.

## 5. Significant Events

During the Reporting Period, for the performance of the abovementioned clinker sale and purchase contract, the Group sold commodity clinker to Sanshan Port for an amount of RMB6.29 million.

### (5) *Transaction with Haichang Port – coal transfer services*

On 29 April 2014, as approved by the Board, Shanghai Conch Logistic Co., Ltd. (a wholly-owned subsidiary of the Company) and Haichang Port entered into a port operation contract, pursuant to which Haichang Port will provide coal transfer services to the subsidiaries of the Company located along the Yangtze River, with the contract sum of RMB58 million and the validity period commencing from 29 April 2014 and expiring on 31 March 2015. The fees charged by Haichang Port for its coal transfer services provided to the Group were determined mainly with reference to the prevailing market prices in the same period and the fees charged by other ports which were independent third parties for the same kind of services provided to the Group, provided that such fees charged by Haichang Port shall not be higher than the prices offered by the independent third-party ports to the Group. Payment would be settled in respect of each vessel of coals within 30 days after the coals are transferred.

During the Reporting Period, for the performance of the above-mentioned port operation contract, the transaction amount paid by the Group to Haichang Port amounted to RMB0.42 million. Coupled with the port operation contracts entered into in previous years, the aggregate transaction amount paid by the Group to Haichang Port during the Reporting Period amounted to RMB26.08 million.

For further details regarding the connected transactions as set out in items (2) to (5) above, please refer to the Company's announcement dated 29 April 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 30 April 2014 and published on the SSE website and Shanghai Securities Journal. The continuing connected transactions as set out in items (2) to (5) above are not subject to the independent shareholders' approval requirements.

### (6) *Transaction with Longshan Cement – procurement of clinker*

Pursuant to the cement and clinker sale and purchase contract dated 15 May 2012 and the supplemental contract dated 28 May 2013 between each of Jiangmen Conch and Foshan Conch (both being wholly-owned subsidiaries of the Company) and Longshan Cement, the maximum amount of clinker to be procured by Jiangmen Conch from Longshan Cement for 2014 was 600,000

## 5. Significant Events

tonnes/year and the annual transaction cap was RMB171 million, while the maximum amount of clinker to be procured by Foshan Conch from Longshan Cement for 2014 was 500,000 tonnes/year and the annual transaction cap was RMB142.5 million. The purchase price of clinker was determined, with reference to the market price, by Longshan Cement with Jiangmen Conch and Foshan Conch respectively after negotiations. Such purchase price shall not be higher than that offered to other independent customers by Longshan Cement.

During the Reporting Period, Jiangmen Conch and Foshan Conch mainly considered the cost, product quality, market demand and the price of similar products offered by other third parties in the same area when determining whether it would procure clinker from Longshan Cement or other independent suppliers. The purchase prices would be settled on a monthly basis. During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB94.18 million, which did not exceed the annual transaction cap of RMB171 million as prescribed under the said supplemental contract; and Foshan Conch procured clinker from Longshan Cement for an amount of RMB91.02 million, which did not exceed the annual transaction cap of RMB142.5 million as prescribed under the said supplemental contract.

For further details, please refer to the Company's announcements dated 15 May 2012 and 28 May 2013 respectively and published on the website of the Stock Exchange and the website of the Company, and the Company's announcements dated 16 May 2012 and 29 May 2013 respectively and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

(7) *Transaction with Longshan Cement – mutual procurement of spare parts and production ancillary materials*

On 15 May 2012, as approved by the Board, Prosperity Conch (a subsidiary of the Company) and Longshan Cement entered into a spare parts and production ancillary materials procurement contract in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Cement, for a purchase price no more than RMB20.5 million per annum. The term of the said contract commenced from 15 May 2012 and will expire on 31 December 2014. The prices of spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement were based on the prices they may procure from their other suppliers. Both parties settled the payments by their own funds on a monthly basis.

## 5. Significant Events

During the Reporting Period, Prosperity Conch and Longshan Cement mutually procured spare parts and production ancillary materials at an amount of RMB8.73 million, which did not exceed the annual transaction cap as prescribed under the said spare parts and production ancillary materials procurement contract.

For further details, please refer to the Company's announcement dated 15 May 2012 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 16 May 2012 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

### (8) *Transaction with Longshan Cement – mutual procurement of limestone*

On 28 May 2013, as approved by the Board, Prosperity Conch (a subsidiary of the Company) and Longshan Cement entered into a limestone procurement contract in relation to the mutual procurement of limestone between Prosperity Conch and Longshan Cement. The term of the said contract commenced from 1 June 2013 and will expire on 31 December 2014. The transaction caps for the mutual procurement of limestone between both parties for the year of 2013 and 2014 are expected to be RMB49.75 million and RMB81.6 million respectively. The prices of limestone mutually procured between both parties were determined after taking consideration of several factors such as the quality and grades of limestone offered by other suppliers as well as the production costs and relevant tax incurred by each other. The purchase prices would be settled on a monthly basis.

During the Reporting Period, the transaction amount of mutual procurement of limestone between Prosperity Conch and Longshan Cement amounted to RMB27.34 million.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

## 5. Significant Events

### (9) *Transaction with Longshan Cement – sale of fire-resistant tiles*

On 28 May 2013, as approved by the Board, Refractory Material (a subsidiary of the Company) and Longshan Cement entered into a sale and purchase contract in relation to the sale of fire-resistant tiles to Longshan Cement. The term of the said contract commenced from 28 May 2013 and will expire on 31 December 2014. Pursuant to the sale and purchase contract, the quantity of the fire-resistant tiles to be procured by Longshan Cement from Refractory Material will be 1,500 tonnes per annum with an expected annual purchase price of no more than RMB8 million, provided that the final transaction volume and settlement payment will be based on the actual take-up by Longshan Cement. The selling price of the fire-resistant tiles was determined through negotiations between the parties in accordance with market principles, provided that such price shall not be lower than that offered by Refractory Material to the subsidiaries of the Company located in Guangdong Province. The payment would be settled on cargo-by-cargo basis, i.e. payment for each cargo of goods would be made upon delivery.

During the Reporting Period, Refractory Material sold fire-resistant tiles to Longshan Cement for an amount of RMB1.46 million.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

### **2. Residual heat electricity generation projects**

On 28 February 2014, as approved by the Board, the Company and Conch Kawasaki Engineering entered into an equipment supply and design contract, pursuant to which Conch Kawasaki Engineering had agreed to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation projects to seven subsidiaries of the Company. The aggregate contract sum amounted to RMB236.85 million. The price as stipulated in the aforesaid equipment supply and design contract was mainly determined through negotiations between the parties based on the scale of such projects, various technical specifications, the prevailing market prices of such services and the prices charged by Conch Kawasaki Engineering against other customers, provided that such price shall not be higher than that offered by Conch Kawasaki Engineering to other independent customers.

## 5. Significant Events

During the Reporting Period, in the context of the performance of the above equipment supply and design contract (and only such contract), the transaction amount paid by the Group to Conch Kawasaki Engineering amounted to RMB141.8 million. Coupled with the performance of other similar contracts entered into in previous years, the aggregate amount paid by the Group to Conch Kawasaki Engineering during the Reporting Period amounted to RMB192.24 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company respectively, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

### 3. Purchase of milling equipment

On 28 February 2014, as approved by the Board, the Company and Conch Kawasaki Energy Conservation entered into a sales and purchase contract on CK milling equipment, pursuant to which the Company agreed to purchase five CK raw material milling equipments from Conch Kawasaki Energy Conservation, which would be installed at the cement and clinker production lines of five subsidiaries of the Company. The total contract sum was RMB110 million. The price stipulated in the aforesaid sales and purchase contract on CK milling equipment was determined through negotiations between the parties on the basis of the costs of the equipment and the prevailing market prices of such equipment, and also with reference to the fees charged by Conch Kawasaki Energy Conservation against other customers, provided that such price shall not be higher than that offered by Conch Kawasaki Energy Conservation to other independent customers.

During the Reporting Period, for the performance of the above-mentioned sales and purchase contract on CK milling equipment (and only such contract), the transaction amount paid by the Group to Conch Kawasaki Energy Conservation was RMB81.52 million. Coupled with the performance of other similar contracts entered into in previous years, the aggregate amount paid to Conch Kawasaki Energy Conservation by the Group during the Reporting Period amounted to RMB104.17 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.



## 5. Significant Events

### 4. Maintenance of anti-wearing parts of equipments and procurement of spare parts

On 28 February 2014, as approved by the Board of the Company, the Company and Conch Kawasaki Energy Conservation entered into a contract on maintenance of anti-wearing parts and procurement of spare parts, pursuant to which Conch Kawasaki Energy Conservation would provide maintenance services such as surfacing welding on the anti-wearing parts of main units of cement and clinker production lines for the subsidiaries of the Company, and the Company would procure milling equipments, boilers and other equipments as needed from Conch Kawasaki Energy Conservation. The total contract sum was RMB98.4 million. As stipulated in the aforesaid contract, the maintenance cost (including surfacing welding) of anti-wearing parts was determined through negotiations between the parties mainly based on costs (including welding wire, ancillary materials, utilities, replacement of parts, etc) and prevailing market prices; the cost of spare parts was determined through negotiations between the parties with reference to the prevailing market prices and provision of certain discounts for the Group, provided that the aforesaid service and spare parts costs shall not be higher than those offered by Conch Kawasaki Energy Conservation to other independent third-party customers.

During the Reporting Period, for the performance of the above-mentioned contract on maintenance of anti-wearing parts and procurement of spare parts, the transaction amount paid by the Group to Conch Kawasaki Energy Conservation was RMB48.29 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

### 5. Urban domestic waste incineration project with the use of cement kilns

On 28 February 2014, as approved by the Board of the Company, Chongqing Conch (the wholly-owned subsidiary of the Company) and Conch Venture Property entered into a master contractor contract regarding the comprehensive treatment of domestic waste and environmental protection in the Three Gorges Dam area by Chongqing Conch ("master contractor contract"), pursuant to which Conch Venture Property would provide engineering design, equipments provision and construction (land construction and installing), testing and other service for the waste treatment project of Chongqing Conch. The total contract sum was RMB86 million, of which design fee was determined through negotiations between the parties with reference to project scale, technical indicators and prevailing market prices, provided that such fee shall not be higher than that offered to the independent third-party

## 5. Significant Events

customers; equipment price was the effective cost plus reasonable premium; construction cost was engineering cost plus reasonable management fee. As an important customer of Conch Venture Property, the Group was granted certain discounts on price.

During the Reporting Period, for the performance of the above-mentioned master contractor contract, the transaction amount paid by the Group to Conch Venture Property was RMB21.83 million.

For further details, please refer to the Company's announcement dated 28 February 2014 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 1 March 2014 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

### 6. Design of cement and clinker engineering projects

On 29 April 2014, as approved by the Board of the Company, the Company and Conch Design entered into a design and technical service contract, pursuant to which Conch Design would provide engineering design service for the cement clinker production lines and grinding mill projects to be constructed by relevant subsidiaries of the Company, and Anhui Conch Information Technology Engineering Co., Ltd. (a wholly-owned subsidiary of Conch Design) would provide application software and service on production control system for relevant subsidiaries of the Company. The total contract sum was RMB76.52 million.

The contract price was determined by the parties after arm's length negotiation with reference to the Fee Scale for Project Inspection and Design promulgated by the National Development and Reform Commission and the Ministry of Construction in 2002, and based on the project scale, investment amount, design scope, technical indicators and the prevailing market prices. The design fee would be settled according to project progress.

During the Reporting Period, for the performance of the above design and technical service contract (and only such contract), the transaction amount paid by the Group to Conch Design amounted to RMB4.66 million. Taking into account relevant contracts entered into in previous years, the aggregate transaction amount paid by the Group to Conch Design during the Reporting Period amounted to RMB28.37 million.

For further details, please refer to the Company's announcement dated 29 April 2014 and published on the website of the Stock Exchange, SSE website, and the website of the Company. Such connected transactions are not subject to the independent shareholders' approval requirements.

## 5. Significant Events

### (5) MATERIAL CONTRACTS

1. The Company was not involved in any material entrustment, contracting or leasing of assets of other companies, nor were any other companies involved in any entrustment, contracting or leasing of assets of the Company during the Reporting Period or during the previous periods but subsisting in the Reporting Period.
2. **Guarantees**

During the Reporting Period, the external guarantees provided by the Company relating to bank loans of its majority-owned subsidiaries, and all the guarantees were approved by the Board of the Company. During the Reporting Period, the guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB80 million, all being guarantees for collateral liabilities, the details of which are as follows:

No.	Guaranteed company	Shareholding proportion of the Company	Amount guaranteed by the Company (RMB'000)	Guaranteed period	Date of guarantee contract	Use of loans	Name of creditor
1	Zunyi Conch	50%	25,000	one year	2014.03.31	working capital	SPD Bank, Wuhu Branch
2	Guiding Conch	50%	25,000	one year	2014.02.21	working capital	Agricultural Bank, Guiding Branch
3	Guiding Conch	50%	30,000	one year	2014.06.20	working capital	Agricultural Bank, Guiding Branch
<b>Total</b>			<b>80,000</b>	-	-	-	-

Note: The Company provided guarantees for Zunyi Conch and Guiding Conch on a pro rata basis in accordance with its shareholding proportion.

As of 30 June 2014, the balance of guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB3,599.73 million, representing 6.49% of the net assets of the Company at the end of the Reporting Period.

During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any entities which are not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's net assets as shown in its latest audited financial statements.

## 5. Significant Events

As of 30 June 2014, Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Co., Ltd. (being branch company of the Company) pledged their assets with a book value of approximately RMB0.496 billion to International Finance Corporation as security for their long-term loan in the sum of RMB0.65 billion.

During the Reporting Period, the Group acquired Kunming Hongxi and took over its assets with a book value of approximately RMB110.82 million which was pledged as security for its borrowings of RMB70 million from a financial institution. The Group acquired Hunan Yunfeng and took over its assets with a book value of approximately RMB141.54 million which was pledged as security for its borrowings of RMB23 million from a financial institution and for the issue of bank acceptance notes with a principal amount of RMB118.5 million.

As at 30 June 2014, save for the guarantees and pledges of assets as disclosed above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

### (6) COMMITMENTS

1. Commitment by shareholders: In 2007, the Company issued A Shares to Conch Venture as consideration for the purchase of the relevant assets of Conch Venture. Conch Venture has made the following undertakings in relation to the shareholders' rights arrangements in respect of the shares held: Except the rights of a shareholder of a proprietary nature (including but not limited to rights to receive dividends), Conch Venture will forgo its other shareholder's rights of the Company such as rights to vote, nominate and elect Directors/Supervisors of the Company, for so long as it holds the Company's shares. During the Reporting Period, Conch Venture has complied with the above undertakings.
2. Commitment by controlling shareholders: In November 2013, Conch Design, a whollyowned subsidiary of Conch Holdings (the controlling shareholder of the Company), acquired A Shares of the Company through the clearing system of SSE. Conch Holdings has made the following undertakings in relation to these shares: Conch Holdings would not sell any share it held in the Company whilst implementing the plan on increasing shareholding (12 months) and within the statutory period. Conch Holdings has complied with the above undertakings during the Reporting Period.

## 5. Significant Events

### (7) AUDIT COMMITTEE

An audit committee (“Audit Committee”) has been established by the Company. The terms of reference adopted by the Audit Committee complied with the requirements of the Code Provisions. The Audit Committee is responsible for the review and supervision of financial reporting procedures and the internal control system of the Group as well as the giving of advice and recommendations to the Board. This half-year report of 2014 of the Company has been reviewed by the Audit Committee.

### (8) PENALTIES AND REMEDIES IN RELATION TO THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, none of the Company, its present Directors, Supervisors, senior management, controlling shareholder and de facto controller were subject to any penalties by the relevant authorities.

- (9) As at the end of the reporting period and up to the date of this interim report, there was no occurrence of any event that might impose material impacts on the Group.

## 6. Changes in Share Capital and Shareholdings of Substantial Shareholders

### (1) THERE WAS NO CHANGE IN THE TOTAL NUMBER OF SHARES AND THE SHAREHOLDING STRUCTURE OF THE COMPANY DURING THE REPORTING PERIOD, DETAILED BELOW:

Class of shares	Before change		Increase/decrease (+,-)			After change	
	Number	Percentage (%)	Issue	Transfer	Subtotal	Number	Percentage (%)
			of new shares	from capital reserve			
(1) Shares subject to trading restrictions	-	-	-	-	-	-	-
1. State-owned legal person shares	-	-	-	-	-	-	-
2. Other domestic shares	-	-	-	-	-	-	-
(2) Shares not subject to trading restrictions	5,299,302,579	100	-	-	-	5,299,302,579	100
1. RMB-denominated ordinary shares (i.e. A Shares)	3,999,702,579	75.48	-	-	-	3,999,702,579	75.48
2. Overseas-listed foreign shares (i.e. H Shares)	1,299,600,000	24.52	-	-	-	1,299,600,000	24.52
(3) Total number of shares	5,299,302,579	100	-	-	-	5,299,302,579	100

### (2) TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF THE TOP 10 REGISTERED SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD:

As at 30 June 2014, the Company had a total of 97,054 shareholders, 112 of which were holders of H Shares.

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
1. Conch Holdings	State-owned legal person	1,918,329,108	36.20	A Share
2. HKSCC Nominees Limited <sup>(Note 3)</sup>	Foreign legal person	1,297,815,378	24.49	H Share
3. Conch Venture	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4. Gao Hua – HSBC – GOLDMAN, SACHS & CO.	Others	58,492,284	1.10	A Share
5. MERRILL LYNCH INTERNATIONAL	Others	51,904,713	0.98	A Share
6. Credit Suisse (Hong Kong) Limited	Others	49,619,257	0.94	A Share
7. UBS AG	Others	46,733,562	0.88	A Share
8. MORGAN STANLEY & CO. INTERNATIONAL PLC	Others	46,695,445	0.88	A Share
9. DEUTSCHE BANK AKTIENGESELLSCHAFT	Others	42,974,930	0.81	A Share
10. Ping An Trust Co., Ltd.-Conch Equity Interest	Domestic non-state-owned legal person	35,808,363	0.68	A Share

## 6. Changes in Share Capital and Shareholdings of Substantial Shareholders

Notes:

- (1) All shares mentioned above are floating shares without trading restrictions.
- (2) During the Reporting Period, there was no change in the number of the shares of the Company held by Conch Holdings and Conch Venture, and such shares were not subject to any pledge, freezing order or trust.
- (3) HKSCC Nominees Limited held 1,297,815,378 H Shares, representing 24.49% of the total share capital of the Company, and 99.85% of the issued H share capital of the Company. These shares were held on behalf of various clients.
- (4) The Board was not aware of any other connected relationship or party acting in concert among the above shareholders.

**(3) AS AT 30 JUNE 2014, THE FOLLOWING PERSONS (OTHER THAN THE DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY) HELD INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT BY THE COMPANY UNDER SECTION 336 OF THE SECURITIES AND FUTURES ORDINANCE (“SFO”) (CHAPTER 571 OF THE LAWS OF HONG KONG) (REFERENCES TO DIRECTORS OR CHIEF EXECUTIVE IN THIS PARAGRAPH INCLUDE SUPERVISORS):**

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,948,869,927 A Shares (long position) (Note 1)	Interests of a controlled corporation/beneficial owner	48.73% (Note 2)
Anhui Provincial Investment Group Holdings Co., Ltd.	1,948,869,927 A Shares (long position) (Note 1)	Interests of a controlled corporation	48.73% (Note 2)
CCVH	1,948,869,927 A Shares (long position) (Note 1)	Interests of a controlled corporation	48.73% (Note 2)
Conch Venture	302,065,101 A Shares (long position) (Note 1)	Interests of a controlled corporation/beneficial owner	7.55% (Note 2)



## 6. Changes in Share Capital and Shareholdings of Substantial Shareholders

<b>Name of shareholder</b>	<b>Number of ordinary shares held</b>	<b>Capacity</b>	<b>Percentage of shareholding of the relevant class of shares</b>
JPMorgan Chase & Co.	218,986,587 H Shares (long position) (Note 4)	Beneficial owner/investment manager/custodian	16.85% (Note 3)
JPMorgan Chase & Co.	13,338,311 H Shares (short position) (Note 4)	Beneficial owner	1.03% (Note 3)
Credit Suisse Group AG	105,481,284 H Shares (long position) (Note 5)	Interests of a controlled corporation	8.12% (Note 3)
Credit Suisse Group AG	62,601,861 H Shares (short position) (Note 5)	Interests of a controlled corporation	4.82% (Note 3)
Bank of America Corporation	80,444,527 H Shares (long position) (Note 6)	Interests of a controlled corporation	6.19% (Note 3)
Bank of America Corporation	65,252,476 H Shares (short position) (Note 6)	Interests of a controlled corporation	5.02% (Note 3)
Deutsche Bank Aktiengesellschaft	80,754,039 H Shares (long position) (Note 7)	Beneficial owner/interest of a controlled corporation/person having a security interest in shares/custodian	6.21% (Note 3)
Deutsche Bank Aktiengesellschaft	60,085,575 H Shares (short position) (Note 7)	Beneficial owner/person having a security interest in shares	4.62% (Note 3)

## 6. Changes in Share Capital and Shareholdings of Substantial Shareholders

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
The Capital Group Companies, Inc.	130,975,999 H Shares (long position) (Note 8)	Interest of a controlled corporation	10.08% (Note 3)
BlackRock, Inc.	116,664,136 H Shares (long position) (Note 9)	Interest of a controlled corporation	8.98% (Note 3)
BlackRock, Inc.	1,069,500 H Shares (short position) (Note 9)	Interest of a controlled corporation	0.08% (Note 3)
Genesis Asset Managers, LLP	116,690,798 H Shares (long position)	Investment manager	8.98% (Note 3)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 10)	Interest of a controlled corporation	8.97% (Note 3)

### Notes:

- (1) Among the 1,948,869,927 A Shares held by Conch Holdings, 1,918,329,108 A Shares were held by Conch Holdings as beneficial owner and 30,540,819 A Shares were held in the name of Conch Design (a wholly-owned subsidiary of Conch Holdings). Anhui Provincial Investment Group Holdings Co., Ltd. ("Anhui Provincial Investment Group") and Conch Venture Property held 51% and 49% of the equity interests in Conch Holdings, respectively. Conch Venture Property is wholly owned by Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("CV Green"), which is in turn wholly owned by China Conch Venture Holdings (HK) Limited ("CV HK"). CV HK is wholly owned by China Conch Venture Holdings International Limited ("CV International"). CV International is a wholly-owned subsidiary of CCVH, a company listed on the Main Board of HKSE (stock code: 586). Pursuant to the SFO, Anhui Provincial Investment Group, Conch Venture Property, CV Green, CV HK, CV International and CCVH were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

Among the 302,065,101 A Shares held by Conch Venture, 286,713,246 A Shares were held by Conch Venture as beneficial owner; 15,351,855 A Shares were held in the name of Conch Property (a wholly-owned subsidiary of Conch Venture).

## 6. Changes in Share Capital and Shareholdings of Substantial Shareholders

- (2) The total number of domestic shares in issue was 3,999,702,579 shares, all of which were A Shares.
- (3) The total number of H Shares in issue was 1,299,600,000 shares.
- (4) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 30 June 2014 in respect of the relevant event that occurred on 25 June 2014, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 218,986,587 H Shares (long position), 28,092,965 H Shares were held in the capacity of beneficial owner; 25,593,490 H Shares in the capacity of investment manager; and 82,650,066 H Shares (securities in lending pool) in the capacity of custodian.
- (5) Based on the disclosure of interests form submitted by Credit Suisse Group AG on 30 June 2014 in respect of the relevant event that occurred on 25 June 2014, these shares were held through certain subsidiaries of Credit Suisse Group AG.
- (6) Based on the disclosure of interests form submitted by Bank of America Corporation on 4 July 2014 in respect of the relevant event that occurred on 30 June 2014, these shares were held through certain subsidiaries of Bank of America Corporation.
- (7) Based on the disclosure of interests form submitted by Deutsche Bank Aktiengesellschaft on 2 July 2014 in respect of the relevant event that occurred on 26 June 2014, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 80,754,039 H Shares (long position), 58,382,273 H Shares were held in the capacity of beneficial owner; 2,164,843 H Shares in the capacity of a person having a security interest in shares; 18,337,923 H Shares in the capacity of interest of a controlled corporation; and 934,500 H Shares (securities in lending pool) in the capacity of custodian.
- (8) Based on the disclosure of interests form submitted by The Capital Group Companies, Inc. on 27 May 2014 in respect of the relevant event that occurred on 23 May 2014, these shares were held through certain subsidiaries of The Capital Group Companies, Inc..
- (9) Based on the disclosure of interests form submitted by BlackRock, Inc. on 2 July 2014 in respect of the relevant event that occurred on 30 June 2014, these shares were held through certain subsidiaries of BlackRock, Inc..
- (10) Based on the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 in respect of the relevant event that occurred on 11 December 2008, 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and 2011, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.

Save for the aforesaid shareholders, as at 30 June 2014, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.

### (4) PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

### (5) PREFERENCE SHARES

The Company did not issue preference shares during the Reporting Period.

## 7. Directors, Supervisors, Senior Management and Staff

### (1) APPOINTMENT OR CESSATION IN OFFICE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

As approved at the 2013 annual general meeting of the Company held on 28 May 2014, Mr. Wang Jianchao was appointed as the executive Director of the sixth session of the Board of the Company, whose appointment shall be effective from 28 May 2014 and up to the expiry day of the tenure of the sixth session of the Board.

On 8 May 2014, Mr. Fang Junwen tendered his resignation as the independent non-executive Director of the Company as well as the member of the Audit Committee and the member (chairman) of the Remuneration and Nomination Committee to the Board of the Company due to his other work commitments. In accordance with the Guidance on Establishment of Rules Governing the Independent Directors of the Listed Companies issued by the CSRC, the aforesaid resignation will become effective after appointment of a new independent Director to fill his vacancy as the resignation has caused the number of the independent Directors of the Company to be less than one-third of all the members of the Board.

As recommended by the Remuneration and Nomination Committee of the Board, on 20 June 2014, the Board agreed to redesignate Mr. Guo Jingbin from an executive Director to a non-executive Director, with his appointment effective from 20 June 2014 and up to the expiry day of the tenure of the sixth session of the Board.

During the Reporting Period, Mr. Xu Gengyou tendered his resignation as the assistant to general manager of the Company due to work-related reason. On 24 March 2014, the Board approved his resignation.

### (2) CHANGE IN THE NUMBER OF SHARES OF THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, each of Mr. Ke Qiubi and Mr. Li Xiaobo (both being the assistant to the general manager of the Company) and Mr Xia Xiaoping (deputy chief accountant of the Company) held 604,445 and 193,000 and 150,000 A Shares of the Company respectively. The shares of the Company held by the aforementioned three management members were purchased by them before they were appointed as the senior management of the Company. Since their appointments, they did not take any action to increase and/or reduce their shareholdings in the Company, thus there was no change in the number of shares held by them.

Save as disclosed above, the Directors, supervisors and senior management of the Company did not hold or purchase or sell any shares of the Company during the Reporting Period.

## 7. Directors, Supervisors, Senior Management and Staff

### (3) INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

For the six months ended 30 June 2014, none of the Directors, chief executive and supervisors of the Company nor any of their respective associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), nor had they been granted or exercised the above interests or rights, which were recorded in the register of the Company required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the HKSE Listing Rules.

During the Reporting Period, none of the Directors and supervisors of the Company had material interest in any contract entered into by the Company or its subsidiaries.

### (4) CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

For the six months ended 30 June 2014, the Company has complied with all the code provisions (“Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the HKSE Listing Rules.

### (5) MODEL CODE

The Company has adopted a set of code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealing prescribed in the Model Code as set out in Appendix 10 to the HKSE Listing Rules. Having made specific enquiry by the Company, all Directors of the Company confirmed that they had complied with the required standards as set out in the Model Code and code of conduct formulated by the Company in relation to Directors’ securities transactions during the Reporting Period.

### (6) STAFF AND REMUNERATION

As at 30 June 2014, the Group employed 46,392 staff members with a total remuneration of approximately 1,536.94 million, which was the total remuneration of staff during the Reporting Period.

## 8. Financial Accounting Report (Unaudited)

### Consolidated statement of profit or loss

for the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Revenue</b>	3	<b>28,784,483</b>	23,587,088
Cost of sales and services rendered		<b>(18,598,993)</b>	(17,023,072)
<b>Gross profit</b>		<b>10,185,490</b>	6,564,016
Other revenue	5	<b>651,287</b>	501,237
Other net income	5	<b>7,717</b>	25,505
Selling and marketing costs		<b>(1,319,472)</b>	(1,209,471)
Administrative expenses		<b>(1,084,631)</b>	(1,163,902)
<b>Profit from operations</b>		<b>8,440,391</b>	4,717,385
Finance costs	6(a)	<b>(547,257)</b>	(594,398)
Share of losses of associates		<b>(25,736)</b>	(23,483)
Share of losses of joint ventures		<b>(916)</b>	(18,933)
<b>Profit before taxation</b>	6	<b>7,866,482</b>	4,080,571
Income tax	7	<b>(1,741,894)</b>	(912,014)
<b>Profit for the period</b>		<b>6,124,588</b>	3,168,557
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>5,810,861</b>	3,058,517
Non-controlling interests		<b>313,727</b>	110,040
<b>Profit for the period</b>		<b>6,124,588</b>	3,168,557
<b>Earnings per share</b>	9		
Basic		<b>RMB1.10</b>	RMB0.58
Diluted		<b>RMB1.10</b>	RMB0.58

The notes on pages 54 to 79 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 23.

## 8. Financial Accounting Report (Unaudited)

### Consolidated statement of profit and loss and other comprehensive income

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Profit for the period</b>		<b>6,124,588</b>	3,168,557
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<b>6,657</b>	(7,062)
Available-for-sale equity securities: net movement in fair value reserve	8	<b>(80,233)</b>	(859,122)
<b>Other comprehensive income for the period</b>		<b>(73,576)</b>	(866,184)
<b>Total comprehensive income for the period</b>		<b>6,051,012</b>	2,302,373
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>5,735,348</b>	2,194,358
Non-controlling interests		<b>315,664</b>	108,015
<b>Total comprehensive income for the period</b>		<b>6,051,012</b>	2,302,373

The notes on pages 54 to 79 form part of this interim financial report.



## 8. Financial Accounting Report (Unaudited)

### Consolidated statement of financial position

at 30 June 2014 – unaudited

(Expressed in Renminbi Yuan)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
<b>Non-current assets</b>			
Fixed assets			
Investment property	10	32,656	33,198
Other property, plant and equipment	11	59,927,576	56,276,368
Lease prepayments	12	3,996,416	3,655,950
		<b>63,956,648</b>	59,965,516
Intangible assets			
Goodwill	4	2,600,309	2,545,183
Interest in associates	13	368,713	299,742
Interest in joint ventures		2,236,860	2,114,750
Loans and receivables	14	249,918	257,149
Available-for-sale equity securities	15	388,102	349,249
Deferred tax assets		2,511,098	2,222,333
		457,591	363,565
		<b>72,769,239</b>	68,117,487
<b>Current assets</b>			
Inventories	16	4,783,904	3,692,690
Other investments	17	–	36,370
Trade receivables	18	4,929,222	7,525,345
Prepayments and other receivables	19	2,454,446	1,975,315
Amounts due from related parties	25(d)	378,999	399,777
Tax recoverable		166,734	91,560
Restricted cash deposits		188,294	115,104
Bank deposits with maturity over three months		3,300,000	4,621,900
Cash and cash equivalents	20	6,933,900	6,518,932
		<b>23,135,499</b>	24,976,993

The notes on pages 54 to 79 form part of this interim financial report.

## 8. Financial Accounting Report (Unaudited)

### Consolidated statement of financial position (Cont'd)

at 30 June 2014 – unaudited  
(Expressed in Renminbi Yuan)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
<b>Current liabilities</b>			
Trade payables	22	4,085,011	3,791,010
Other payables and accruals		6,107,297	6,391,519
Bank loans and other borrowings	21	1,763,717	2,934,811
Amounts due to related parties	25(d)	465,008	507,224
Current portion of long-term payables		50,370	51,136
Current taxation		641,209	869,621
		<b>13,112,612</b>	<b>14,545,321</b>
<b>Net current assets</b>			
		<b>10,022,887</b>	<b>10,431,672</b>
<b>Total assets less current liabilities</b>			
		<b>82,792,126</b>	<b>78,549,159</b>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	21	18,682,730	19,206,557
Long-term payables		303,046	304,060
Deferred income		456,371	417,097
Deferred tax liabilities		308,104	219,686
		<b>19,750,251</b>	<b>20,147,400</b>
<b>NET ASSETS</b>			
		<b>63,041,875</b>	<b>58,401,759</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		5,299,303	5,299,303
Reserves		54,344,790	50,464,198
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>59,644,093</b>	<b>55,763,501</b>
<b>Non-controlling interests</b>			
		<b>3,397,782</b>	<b>2,638,258</b>
<b>TOTAL EQUITY</b>			
		<b>63,041,875</b>	<b>58,401,759</b>

The notes on pages 54 to 79 form part of this interim financial report.

## 8. Financial Accounting Report (Unaudited)

### Consolidated statement of changes in equity

for the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory surplus reserve	Fair value reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	5,299,303	10,243,790	224,202	(3,152)	2,649,654	448,690	29,675,053	48,537,540	2,265,581	50,803,121
<b>Changes in equity for the six months ended 30 June 2013:</b>										
Profit for the period	-	-	-	-	-	-	3,058,517	3,058,517	110,040	3,168,557
Other comprehensive income	8	-	-	(5,037)	-	(859,122)	-	(864,159)	(2,025)	(866,184)
Total comprehensive income	-	-	-	(5,037)	-	(859,122)	3,058,517	2,194,358	108,015	2,302,373
-----										
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	(12,293)	(12,293)
Dividends approved in respect of the previous year	23	-	-	-	-	-	(1,324,826)	(1,324,826)	-	(1,324,826)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	12,600	12,600
Others	-	-	-	-	-	-	53,721	53,721	(53,721)	-
<b>Balance at 30 June 2013 and 1 July 2013</b>	<b>5,299,303</b>	<b>10,243,790</b>	<b>224,202</b>	<b>(8,189)</b>	<b>2,649,654</b>	<b>(410,432)</b>	<b>31,462,465</b>	<b>49,460,793</b>	<b>2,320,182</b>	<b>51,780,975</b>
<b>Changes in equity for the six months ended 31 December 2013:</b>										
Profit for the period	-	-	-	-	-	-	6,330,781	6,330,781	321,666	6,652,447
Other comprehensive income	8	-	-	(19,625)	-	(8,448)	-	(28,073)	(8,456)	(36,529)
Total comprehensive income	-	-	-	(19,625)	-	(8,448)	6,330,781	6,302,708	313,210	6,615,918
-----										
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	3,448	3,448
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	151,418	151,418
<b>Balance at 31 December 2013</b>	<b>5,299,303</b>	<b>10,243,790</b>	<b>224,202</b>	<b>(27,814)</b>	<b>2,649,654</b>	<b>(418,880)</b>	<b>37,793,246</b>	<b>55,763,501</b>	<b>2,638,258</b>	<b>58,401,759</b>

The notes on pages 54 to 79 form part of this interim financial report.

## 8. Financial Accounting Report (Unaudited)

### Consolidated statement of changes in equity (Cont'd)

for the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory surplus reserve	Fair value reserve	Retained profits				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2014	5,299,303	10,243,790	224,202	(27,814)	2,649,654	(418,880)	37,793,246	55,763,501	2,638,258	58,401,759	
<b>Changes in equity for the six months ended 30 June 2014:</b>											
Profit for the period	-	-	-	-	-	-	5,810,861	5,810,861	313,727	6,124,588	
Other comprehensive income	8	-	-	4,720	-	(80,233)	-	(75,513)	1,937	(73,576)	
Total comprehensive income		-	-	4,720	-	(80,233)	5,810,861	5,735,348	315,664	6,051,012	
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	(9,620)	(9,620)	
Dividends approved in respect of the previous year	23	-	-	-	-	-	(1,854,756)	(1,854,756)	-	(1,854,756)	
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	940	940	
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	452,540	452,540	
<b>Balance at 30 June 2014</b>		<b>5,299,303</b>	<b>10,243,790</b>	<b>224,202</b>	<b>(23,094)</b>	<b>2,649,654</b>	<b>(499,113)</b>	<b>41,749,351</b>	<b>59,644,093</b>	<b>3,397,782</b>	<b>63,041,875</b>

The notes on pages 54 to 79 form part of this interim financial report.

## 8. Financial Accounting Report (Unaudited)

### Condensed consolidated cash flow statement

for the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Operating activities</b>			
Cash generated from operations		10,245,664	7,576,570
– Income tax paid		(2,091,670)	(1,221,681)
– Interest paid		(679,205)	(672,987)
<b>Net cash generated from operating activities</b>		<b>7,474,789</b>	5,681,902
<b>Investing activities</b>			
Payments for the purchase of property, plant and equipment		(3,192,956)	(2,954,282)
Other cash flows arising from investing activities		320,217	(486,567)
<b>Net cash used in investing activities</b>		<b>(2,872,739)</b>	(3,440,849)
<b>Financing activities</b>			
Proceeds from new bank loans and other borrowings		576,053	1,655,555
Repayments of bank loans and other borrowings		(2,482,523)	(1,854,217)
Dividends paid to equity shareholders of the Company	23	(1,854,756)	(1,324,826)
Other cashflow arising from financing activities		(428,324)	(20,890)
<b>Net cash used in financing activities</b>		<b>(4,189,550)</b>	(1,544,378)
<b>Net increase in cash and cash equivalents</b>		<b>412,500</b>	696,675
<b>Effect of foreign exchange rate changes</b>		<b>2,468</b>	(6,958)
<b>Cash and cash equivalents at 1 January</b>		<b>6,518,932</b>	8,110,974
<b>Cash and cash equivalents at 30 June</b>		<b>6,933,900</b>	8,800,691

The notes on pages 54 to 79 form part of this interim financial report.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 1 BASIS OF PREPARATION

This interim financial report of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 21 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2014.

#### 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities
- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting
- IFRIC 21, Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

##### **Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities**

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

##### **Amendments to IAS 32, Offsetting financial assets and financial liabilities**

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

##### **Amendments to IAS 36, Recoverable amount disclosures for non-financial assets**

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended 31 December 2013.

##### **Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting**

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

##### **IFRIC 21, Levies**

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.



## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

*(Expressed in Renminbi Yuan unless otherwise indicated)*

#### 3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments based on the region in which the Group's business operates: East China, Central China, South China, West China and Overseas. All segments are primarily engaged in manufacture and sale of clinkers and cement products. No operating segments have been aggregated to form the reportable segments.

##### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets in the financial statements prepared in accordance with China Accounting Standards for Business Enterprises (2006) ("PRC accounting standards"). Segment liabilities include all liabilities in the financial statements prepared in accordance with PRC accounting standards.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments in accordance with PRC accounting standards.

The measure used for reporting segment profit is profit before taxation in accordance with PRC accounting standards.

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter segment revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

##### (a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

##### For the six months ended 30 June 2014

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b) RMB'000	Total RMB'000
Revenue from external customers	9,553,256	7,953,006	5,613,843	5,653,494	10,884	28,784,483	-	28,784,483
Inter-segment revenue	1,051,734	8,003,276	37,106	117	-	9,092,233	(9,092,233)	-
<b>Reportable segment revenue</b>	<b>10,604,990</b>	<b>15,956,282</b>	<b>5,650,949</b>	<b>5,653,611</b>	<b>10,884</b>	<b>37,876,716</b>	<b>(9,092,233)</b>	<b>28,784,483</b>
<b>Reportable segment profit/(loss)</b>	<b>1,013,945</b>	<b>5,899,184</b>	<b>1,730,084</b>	<b>1,135,059</b>	<b>(15,363)</b>	<b>9,762,909</b>	<b>(1,917,700)</b>	<b>7,845,209</b>
Interest income	4,855	371,986	3,416	12,354	353	392,964	(216,715)	176,249
Interest expense	80,410	462,161	52,967	131,070	3,234	729,842	(182,585)	547,257
Depreciation and amortisation for the period	197,793	889,135	294,319	518,120	934	1,900,301	(2,493)	1,897,808
Additions to non-current segment assets during the period	298,596	2,030,990	448,237	2,899,115	270,035	5,946,973	-	5,946,973
<b>At 30 June 2014</b>								
<b>Reportable segment assets (including investment in associates and joint ventures)</b>	<b>14,842,548</b>	<b>75,438,370</b>	<b>14,326,800</b>	<b>27,127,686</b>	<b>1,335,656</b>	<b>133,071,060</b>	<b>(37,166,322)</b>	<b>95,904,738</b>
<b>Reportable segment liabilities</b>	<b>10,565,265</b>	<b>21,213,949</b>	<b>6,015,386</b>	<b>16,974,933</b>	<b>1,100,981</b>	<b>55,870,514</b>	<b>(23,389,419)</b>	<b>32,481,095</b>

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

##### (a) Segment results, assets and liabilities (continued)

For the six months ended 30 June 2013

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b) RMB'000	Total RMB'000
Revenue from external customers	6,645,964	8,681,446	4,096,590	4,163,088	-	23,587,088	-	23,587,088
Inter-segment revenue	579,280	4,263,752	32,460	10,968	-	4,886,460	(4,886,460)	-
<b>Reportable segment revenue</b>	<b>7,225,244</b>	<b>12,945,198</b>	<b>4,129,050</b>	<b>4,174,056</b>	<b>-</b>	<b>28,473,548</b>	<b>(4,886,460)</b>	<b>23,587,088</b>
<b>Reportable segment profit/(loss)</b>	<b>390,729</b>	<b>4,176,106</b>	<b>744,153</b>	<b>610,267</b>	<b>(1,372)</b>	<b>5,919,883</b>	<b>(1,839,312)</b>	<b>4,080,571</b>
Interest income	3,911	255,182	2,756	3,477	-	265,326	(203,269)	62,057
Interest expense	67,920	510,230	68,092	117,807	-	764,049	(169,651)	594,398
Depreciation and amortisation for the period	193,345	875,115	268,786	413,337	1,105	1,751,688	-	1,751,688
Impairment of plants and equipment	-	4,598	-	156,089	-	160,687	-	160,687
Additions to non-current segment assets during the period	175,924	692,866	413,898	1,536,440	211,116	3,030,244	(33,618)	2,996,626
<b>At 31 December 2013</b>								
<b>Reportable segment assets (including investment in associates and joint ventures)</b>	<b>10,860,756</b>	<b>73,732,172</b>	<b>11,261,689</b>	<b>23,802,789</b>	<b>943,809</b>	<b>120,601,215</b>	<b>(27,506,735)</b>	<b>93,094,480</b>
<b>Reportable segment liabilities</b>	<b>6,456,878</b>	<b>24,194,027</b>	<b>2,975,320</b>	<b>14,406,682</b>	<b>817,412</b>	<b>48,850,319</b>	<b>(14,157,598)</b>	<b>34,692,721</b>

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

##### (b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Revenue</b>		
Elimination of inter-segment revenue	(9,092,233)	(4,886,460)
<b>Profit</b>		
Elimination of inter-segment profits	(1,917,700)	(1,859,061)
Differences between PRC accounting standards and IFRS*	21,273	19,749
	<b>(1,896,427)</b>	<b>(1,839,312)</b>
	At 30 June 2014 RMB '000	At 31 December 2013 RMB'000
<b>Assets</b>		
Elimination of inter-segment balances	(37,166,322)	(26,482,745)
<b>Liabilities</b>		
Elimination of inter-segment balances	(23,389,419)	(14,521,023)
Differences between PRC accounting standards and IFRS*	381,764	363,425
	<b>(23,007,655)</b>	<b>(14,157,598)</b>

\* Differences between PRC accounting standards and IFRS:

The difference mainly arises from the deferred income in respect of certain government grants recognised under IFRS.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

##### (c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets, goodwill, interests in associates and jointly controlled entities ("specified non-current assets"). The geographical location of customers is based on the location, at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of lease prepayments, intangible assets and goodwill, and the location of operations, in the case of interests in associates and jointly controlled entities.

	Revenue from external customers		Specified non-current assets	
	Six months ended		At	At
	30 June	30 June	30 June	31 December
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
The People's Republic of China ("the PRC")	<b>28,008,660</b>	22,904,320	<b>68,759,586</b>	64,760,662
Others	<b>775,823</b>	682,768	<b>1,040,964</b>	770,927
	<b>28,784,483</b>	23,587,088	<b>69,800,550</b>	65,531,589

#### 4 BUSINESS COMBINATIONS

The Group obtained control of four entities through acquiring equity interested in these entities during the six months' period ended 30 June 2014. The acquired business are located in the PRC and are principally engaged in the manufacture and sale of clinkers and cement related products.

During the periods from the respective dates of acquisitions to 30 June 2014, these acquired business contributed an aggregate revenue of RMB167,063,000 and an aggregate loss of RMB15,295,000 to the Group's results. If the acquisitions had occurred on 1 January 2014, management estimates that the consolidated revenue of the Group for the period ended 30 June 2014 would have been RMB28,837,257,000, and the consolidated profit for the year would have been RMB6,105,093,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the respective dates of acquisition would remain the same even if the acquisitions had all occurred on 1 January 2014.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 4 BUSINESS COMBINATIONS (CONTINUED)

<b>Name of the company</b>	<b>Voting right</b>	<b>Date of acquisition</b>	<b>Principal activities</b>
Yeafine New Energy Technology Co., Ltd (“Shaoyang Yunfeng”) 邵陽市雲峰新能源科技有限公司	65%	9 February 2014	Manufacture and sale of clinker and cement products
Yeafine Cement Co., Ltd. (“Hunan Yunfeng”) 湖南省雲峰水泥有限公司	65%	9 February 2014	Manufacture and sale of clinker and cement products
Shuicheng Conch Cement Co., Ltd. (“Shuicheng Conch”) 水城海螺盤江水泥有限責任公司	40%*	20 March 2014	Manufacture and sale of clinker and cement products
Kunming Hongxi Cement Co., Ltd. (“Kunming Hongxi”) 昆明宏熙水泥有限公司	80%	10 May 2014	Manufacture and sale of clinker and cement products

\* According to the subsidiary’s articles, the group has 100% voting power in its shareholders’ meeting except special resolutions. And the group has 60% seats and voting power of the board.

Summary of net assets acquired in Shaoyang Yunfeng and Hunan Yunfeng, and the goodwill arising, are as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB’000
Property, plant and equipment	979,210
Lease prepayments	148,003
Intangible assets	10,291
Inventories	34,764
Cash and cash equivalents	2,603
Trade receivables, prepayments and other receivables	268,708
Bank loans and other borrowings	176,500
Trade payables and other liabilities	887,088
Deferred tax liabilities	58,614
<b>Total net identifiable assets of the acquirees</b>	<b>321,377</b>

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 4 BUSINESS COMBINATIONS (CONTINUED)

##### Goodwill

Goodwill has been recognised as a result of the above acquisitions as follows:

	RMB'000
Total consideration transferred	277,866
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	112,482
Fair value of identifiable net assets	(321,377)
<b>Goodwill arising from the above business combinations</b>	<b>68,971</b>

The goodwill arose from the acquisition represents the control premium paid, the benefits of expected synergies to be achieved from integrating the assets into the Group's existing business, future market development and the acquired workforce.

Summary of net assets acquired in Shuicheng Conch and Kunming Hongxi, and the negative goodwill arising, are as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	1,059,111
Lease prepayments	117,520
Intangible assets	14,557
Inventories	24,287
Cash and cash equivalents	2,326
Trade receivables, prepayments and other receivables	38,806
Bank loans and other borrowings	31,250
Trade payables and other liabilities	521,158
Deferred tax liabilities	35,512
<b>Total net identifiable assets of the acquirees</b>	<b>668,687</b>

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 4 BUSINESS COMBINATIONS (CONTINUED)

##### Negative Goodwill

Negative goodwill has been recognised as a result of the above acquisitions as follows:

	RMB'000
Total consideration transferred	315,539
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	340,058
Fair value of identifiable net assets	(668,687)
Negative goodwill arising from the above business combinations	(13,090)

#### 5 OTHER REVENUE AND NET INCOME

##### (a) Other revenue

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Subsidy income	461,948	416,427
Interest income	176,249	62,057
Negative goodwill	13,090	-
Dividend income from listed securities	-	22,753
	<b>651,287</b>	<b>501,237</b>

##### (b) Other net income

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net unrealised gains on trading securities	7,037	10,167
Change in fair value of derivatives	(8,654)	3,152
Net (loss)/gain on disposal of fixed assets	(582)	5,961
Exchange gains	3,628	2,831
Others	6,288	3,394
	<b>7,717</b>	<b>25,505</b>



## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

**(a) Finance costs:**

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Finance charge on obligations under finance leases	–	1,332
Interest on bank loans and other borrowings	572,949	620,123
Less: interest expense capitalised into construction-in-progress	(25,692)	(27,057)
	547,257	594,398

**(b) Other items:**

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Depreciation of investment property and other property, plant and equipment	1,788,438	1,668,053
Amortisation of interests in leasehold land held for own use under operating leases	46,143	39,105
Other amortisation	63,227	44,530
Impairment of plants and equipment	–	160,687
Staff costs	1,384,077	1,189,822

#### 7 INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Current tax-PRC Corporate Income Tax</b>		
Provision for the period	1,814,885	981,693
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(72,991)	(69,679)
	1,741,894	912,014

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2014 and 2013 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 7 INCOME TAX (CONTINUED)

Individual companies within the Group are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司 (Note (i))	15%
Xingye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司 (Note (i))	15%
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司 (Note (i))	15%
Xing'an Conch Cement Co., Ltd. 興安海螺水泥有限責任公司 (Note (i))	15%
Pingliang Conch Cement Co., Ltd. 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. 達州海螺水泥有限責任公司 (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. 廣元海螺水泥有限責任公司 (Note (i))	15%
Chongqing Conch Cement Co., Ltd. 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guigyang Conch Panjiang Cement Co., Ltd. 貴陽海螺盤江水水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. 貴定海螺盤江水水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. 遵義海螺盤江水水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 7 INCOME TAX (CONTINUED)

Baoji Zhongxi Jinlinghe Cement Co., Ltd. (“Jinlinghe”) 寶雞市眾喜金陵河水泥有限公司 (Note (i))	15%
Guangxi Sihegongmao Co., Ltd. (“Sihegongmao”) 廣西四合工貿有限責任公司(Note (i))	15%
Longling Conch Cement Co., Ltd. (“Longling Conch”) 龍陵海螺水泥有限責任公司(Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. (“Liukuangruian”) 貴州六礦瑞安水泥有限公司(Note (i))	15%
Qianxian Conch Cement Co., Ltd. (“Qianxian Conch”) 乾縣海螺水泥有限責任公司(Note (i))	15%
Qianxinan Resource Development Co., Ltd. (“Qianxinan”) 黔西南州發展資源開發有限公司(Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. (“Nanwei Cement”) 四川南威水泥有限公司(Note (i))	15%
Hami Hongyi Construction Co., Ltd. (“Hami Construction”) 哈密弘毅建材有限責任公司(Note (ii))	12.5%

Note:

- (i) Pursuant to Notice No.12 issued by State Administration of Taxation on 6 April 2012 and relevant local tax authorities’ notices, these companies were entitled to a 15% preferential income tax rate as qualifying companies located in western areas in the PRC. Liukuangruian, Qianxian Conch, Qianxinan and Nanwei Cement are entitled to a preferential income tax rate of 15%, effective from 1 January 2013 to 31 December 2020. Qianyang Conch, Fenghuangshan, Jinlinghe, Sihegongmao and Longling Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2012 to 31 December 2020. The remaining companies are entitled to a preferential income tax rate of 15%, effective from 1 January 2011 to 31 December 2020.
- (ii) In 2012, Hami Construction was recognised by the local tax authorities as enterprise located in depressed regions with operation in encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year generating revenue. In accordance with local tax authority’s notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 8 OTHER COMPREHENSIVE INCOME

Available-for-sale equity securities:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Changes in fair value recognised during the period (after tax)	(80,233)	(859,122)
Net movement in the fair value reserve during the period recognised in other comprehensive income	(80,233)	(859,122)

#### 9 EARNINGS PER SHARE

##### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2014 of RMB5,810.861 million (six months ended 30 June 2013: RMB3,058.517 million) and the weighted average number of shares in issue during the six months ended 30 June 2014 of 5,299,302,579 (six months ended 30 June 2013: 5,299,302,579).

##### (b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2014 and 2013.

#### 10 INVESTMENT PROPERTY

During the six months ended 30 June 2014, the Group leased out a property with carrying value of RMB32,656,000 under operating lease and classified the property as an investment property accordingly. The investment property is subsequently measured using the cost model.

#### 11 OTHER PROPERTY, PLANT AND EQUIPMENT

##### (a) Acquisitions and disposals

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with a cost of RMB5,403,157,000 (six months ended 30 June 2013: RMB2,695,597,000).

Assets with a carrying amount of RMB8,488,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB3,627,000), resulting in a net loss on disposal of RMB582,000 (six months ended 30 June 2013: a net gain of RMB5,961,000).

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 11 OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### (b) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	4,439,601	4,801,757
Authorised but not contracted for	4,589,885	5,285,224
	<b>9,029,486</b>	<b>10,086,981</b>

#### 12 LEASE PREPAYMENTS

Lease prepayments represent interest in leasehold land held for own use under operating leases.

During the six months ended 30 June 2014, the Group acquired interests in leasehold land held for own use under operating leases with a cost of RMB386,609,000 (six months ended 30 June 2013: RMB280,906,000).

#### 13 INTERESTS IN ASSOCIATES

From January to April 2014, the Group aggregately additionally acquired 43,633,877 shares of Qingsong Building Materials and Chemicals (Group) Co., Ltd. ("Qingsong Building Materials and Chemicals") at a consideration of RMB167,264,000 through the Shanghai Stock Exchange ("SSE"). As a result, the Group held 388,354,266 shares, i.e. 28.17% interest of Qingsong Building Materials and Chemicals. On 11 June 2014, Qingsong Building Materials and Chemicals announced to distribute cash dividend of RMB0.05 per share. After the distribution of cash dividend on 19 June 2014, the Group received dividend of RMB19,418,000.

#### 14 NON-CURRENT LOANS AND RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Loans and receivables	589,289	533,438
Less: Current portion of non-current loans and receivables (note 19)	(201,187)	(184,189)
	<b>388,102</b>	<b>349,249</b>

Non-current loans and receivables represent advances made to local government authorities.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 15 AVAILABLE-FOR-SALE EQUITY SECURITIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Available-for-sale equity securities		
– Listed in the PRC	2,511,098	2,222,333

All available-for-sale equity securities held by the Group are listed either on the SSE or the Shenzhen Stock Exchange. The fair value of these investments is measured with reference to the respective quoted market prices as at 30 June 2014.

#### 16 INVENTORIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Raw materials	2,194,635	1,734,644
Work in progress	217,428	178,915
Finished goods	1,978,658	1,384,270
Spare parts	393,183	394,861
	4,783,904	3,692,690

#### 17 OTHER INVESTMENTS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Listed equity securities at fair value		
– Listed in the PRC	–	36,370

All trading securities held by the Group are listed on the SSE and measured with reference to the respective quoted market prices as at the statement of financial position date. The Group disposed all trading securities before 30 June 2014.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 18 TRADE RECEIVABLES

Included in trade receivables are trade debtors and notes receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year (inclusive)	4,929,222	7,525,345

Trade debtors are due within 30-60 days from the day of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 6 months from the day of issuance. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted.

As at 30 June 2014, the Group endorsed the undue notes receivable of RMB1,398 million to its suppliers to settle trade payables of the same amount and derecognised these notes receivables and the payables to suppliers in their entirety as the risks and rewards of ownership of these undue notes have been substantially transferred. The Group's continuous involvement in these undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts to the holders of these notes. The maximum exposure to loss from its continuous involvement in the derecognised undue notes receivables represents the amount of notes receivable which the Group endorsed to its suppliers. As at 30 June 2014, the undue notes receivable of RMB1,042 million endorsed to its suppliers to settle the trade payables were not derecognised because the issuance banks of these undue notes receivable were certain smaller commercial banks in the PRC and management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognised.

All of the above undue notes receivable were due within 6 months.

#### 19 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Purchase prepayments	829,825	724,537
Current portion of loans and receivables (note 14)	201,187	184,189
Loans to related parties	27,960	27,960
Value-added tax recoverable	933,591	791,201
Interest receivable	88,912	52,403
Forward exchange contracts	-	4,590
Other receivables	372,971	190,435
	2,454,446	1,975,315

All of the prepayments and other receivables are expected to be recovered within one year.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 20 CASH AND CASH EQUIVALENTS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Deposits with banks within 3 months	2,500,000	802,860
Cash at bank and in hand	4,433,900	5,716,072
	<b>6,933,900</b>	<b>6,518,932</b>

As at 30 June 2014, the Group did not have cash at banks that are pledged as security (31 December 2013: Nil).

#### 21 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are as follows:

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
<b>Non-current bank loans and other borrowings</b>			
Bank loans			
– Unsecured		2,539,585	3,059,938
Unsecured debentures	(i)	15,478,600	15,474,801
Other borrowings			
– Secured	(ii)	650,000	650,000
– Unsecured	(iii)	14,545	21,818
		<b>18,682,730</b>	<b>19,206,557</b>

(i) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB9,500,000,000, of which RMB7,000,000,000 with a maturity period of 5 years (“5-year bond”) and RMB2,500,000,000 with a maturity period of 7 years (“7-year bond”). The 5-year bond and the 7-year bond carry fixed annual interest rate of 5.08% and 5.20% respectively, which will be paid annually. The principal of the 5-year bond is fully repayable on 23 May 2016 and the 7-year bond is fully repayable on 23 May 2018.

In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB6,000,000,000 of which RMB2,500,000,000 with a maturity period of 5 years (“5-year bond”) and RMB3,500,000,000 with a maturity period of 10 years (“10-year bond”). The 5-year bond and the 10-year bond carry fixed annual interest rate of 4.89% and 5.10% respectively, which will be paid annually. The principal of the 5-year bond is fully repayable on 7 November 2017 and the 10-year bond is fully repayable on 7 November 2022.

Anhui Conch Holdings Co., Ltd. (“Conch Holdings”) provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.



## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 21 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

- (ii) Other secured borrowings of the Group and the Company are provided by the International Finance Corporation (“IFC”). The loan bears interest at a rate of 5.32% (2013: 5.32%) per annum and is repayable in September 2015. At 30 June 2014, the loan was secured by property, plant and equipment of the Group with carrying amount of RMB331,562,000 (2013: RMB359,290,000) and leasehold land held for own use under operating leases of the Group with carrying amount of RMB164,922,000 (2013: RMB163,573,000). The loan is subject to various financial covenants that are reported to IFC on a yearly basis.
- (iii) Other unsecured borrowings were national debt loan provided by the Anhui Finance Bureau. The loan bears interest at a rate of 3.36% (2013: 3.36%) per annum and is repayable in June 2017. The amount of RMB7,273,000 are re-classified to current other borrowings.

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
<b>Current bank loans and other borrowings</b>			
Bank loans			
– Secured	(iv)	27,000	10,000
– Unsecured		1,729,444	1,047,538
Loans from Conch Holdings			
– Unsecured		–	1,870,000
Other borrowings			
– Unsecured	(iii)	7,273	7,273
		<b>1,763,717</b>	<b>2,934,811</b>

- (iv) At 30 June 2014, the carrying amount of by property, plant and equipment held for own use amounted to approximately RMB232,432,000 (2013: RMB7,084,000), lease prepayments amounted to RMB9,786,000 (2013: Nil) and intangible assets amounted to RMB10,149,000 (2013: Nil) pledged as security against the Group’s current borrowings of RMB27,000,000 (2013: RMB10,000,000). The loan are respectively repayable in July and August of 2014.

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 21 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Details of bank loans and other borrowings are as follows:

At 30 June 2014 and 31 December 2013, the bank loans were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year or on demand	1,756,444	1,057,538
After 1 year but within 2 years	1,176,265	1,399,515
After 2 years but within 5 years	1,090,500	1,008,000
After 5 years	272,820	652,423
Total non-current bank loans	2,539,585	3,059,938
	4,296,029	4,117,476

#### 22 TRADE PAYABLES

Included in trade payables are trade creditors and notes payable with the following ageing analysis as of the balance sheet date:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year (inclusive)	4,072,154	3,764,195
Between 1 and 2 years (inclusive)	10,433	21,441
Between 2 and 3 years (inclusive)	388	2,689
More than 3 years	2,036	2,685
	4,085,011	3,791,010

#### 23 DIVIDENDS

The 2013 annual general meeting held on 28 May 2014 approved the final dividend for the year ended 31 December 2013 of approximately RMB1,854,756,000 (RMB0.35 per ordinary share) (six months ended 30 June 2013: RMB1,324,826,000) and the dividends had been paid on 18 June 2014.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

##### (a) Financial assets and liabilities measured at fair value

###### (i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

###### (ii) Fair value hierarchy

	Fair value measurements as at 30 June 2014 using			
	Fair value at 30 June 2014 RMB'000	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale equity securities:				
– Listed	2,511,098	2,511,098	–	–
	2,511,098	2,511,098	–	–
Financial liabilities:				
Other payables and accruals	(4,064)	–	(4,064)	–
	2,507,034	2,511,098	(4,064)	–

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

##### (a) Financial assets and liabilities measured at fair value (continued)

###### (ii) Fair value hierarchy (continued)

	Fair value measurements as at 31 December 2013 using			
	Fair value at 31 December 2013 RMB'000	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Prepayments and other receivables	4,590	-	4,590	-
Other investments	36,370	36,370	-	-
Available-for-sale equity securities:				
- Listed	2,222,333	2,222,333	-	-
	2,263,293	2,258,703	4,590	-

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil).

###### (iii) Valuation techniques and inputs used in Level 2 fair value measurements

The other payables and accruals/prepayments and other receivables in Level 2 are the forward exchange contracts. The fair value of forward exchange contracts is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

##### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 30 June 2014 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2014		At 31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Current bank loans and other borrowings	1,763,717	1,765,254	2,934,811	2,938,463
Long-term payables	303,046	294,157	304,060	295,171
Non-current bank loans and other borrowings	18,682,730	18,481,726	19,206,557	18,858,535
	20,749,493	20,541,137	22,445,428	22,092,169

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 25 MATERIAL RELATED PARTY TRANSACTIONS

##### (a) Related parties information

<b>Name of related party</b>	<b>Nature of relationship</b>
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
Anhui Conch Venture Investment Company Limited (“CV Investment”) 安徽海螺創業投資有限責任公司	Shareholder of the Company, some directors of the Company are also directors and equity holders of CV Investment
Wuhu Conch Venture Enterprise Limited (“Conch Venture Wuhu”) 蕪湖海創實業有限責任公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of Conch Venture Wuhu
Wuhu Conch Profiles and Science Co., Ltd. (“Conch Profiles and Science”) 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Anhui Conch Construction Materials Design Centre (“Conch Design Institute”) 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Yingde Conch Profiles Co., Ltd. (“Yingde Profiles”) 英德海螺型材有限責任公司	Subsidiary of Conch Profiles and Science
Wuhu Conch New Materials Co., Ltd. (“Conch New Materials”) 蕪湖海螺新材料有限公司	Subsidiary of Conch Profiles and Science
Anhui Conch Information Technology Engineering Co., Ltd. (“Conch IT Engineering”) 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Anhui King Bridge Cement Co., Ltd. (“King Bridge Cement”) 安徽朱家橋水泥有限公司	Associate of the Company
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. (“Conch Kawasaki Equipment”) 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
Wuhu Sanshan Port Co., Ltd. (“Sanshan Port”) 蕪湖三山港務有限公司	Subsidiary of CV investment
Wuhu Conch Venture Property Investment Co., Ltd. (“Conch Venture Property”) 蕪湖海創置業有限責任公司	Subsidiary of CV investment
Anhui Conch Kawasaki Engineering Company Limited (“CK Engineering”) 安徽海螺川崎工程有限公司	Subsidiary of Conch Venture Wuhu
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“CK Equipment”) 安徽海螺川崎節能設備製造有限公司	Subsidiary of Conch Venture Wuhu

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

##### (a) Related parties information (continued)

Name of related party	Nature of relationship
Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain") 英德龍山水泥有限責任公司	Same ultimate holding company with Prosperity Minerals (International) Limited*
Conch Property Management Co., Ltd. ("Conch Property Management") 蕪湖海螺物業管理有限公司	Subsidiary of CV investment
Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") 揚州海昌港務實業有限公司	Subsidiary of Conch Venture Wuhu
Chongqing Gaolin Building Material Co., Ltd. ("Gaolin Building Material") 重慶高林建材有限公司	In trust of a subsidiary of the Company before 4 May 2014
Debao Haibao Cement Co., Ltd. ("Haibao Cement") 德保縣海寶水泥有限責任公司	In trust of a subsidiary of the Company
Jiande Chengli Building Material Co., Ltd. ("Chengli Building Material") 建德市成利建材有限公司	In trust of a subsidiary of the Company
Hwasu Corporation 安徽華塑股份有限公司	In trust of its cement operation line
Shanghai Haiyi Shipping Co., Ltd. ("Shanghai Haiyi") 上海海一航運有限公司	Subsidiary of CV investment
Qingsong Building Materials and Chemicals 新疆青松建材化工(集團)股份有限公司	Associate of the Company

\* Prosperity Minerals (International) Limited is non-controlling shareholder of the subsidiary of the Company.

##### (b) Transactions between the Group and related companies

The Group has entered into the following material related party transactions:

###### (i) Transactions with Conch Holdings

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Receiving services	1,568	1,498
Guarantee provided by Conch Holdings	15,936,365	16,034,707
Provision of services and sales of goods	1,207	1,211
Loans from Conch Holdings	–	350,000
Loans repaid to Conch Holdings	1,870,000	350,000
Interests on loans	26,544	55,603

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

##### (b) Transactions between the Group and related companies (continued)

###### (ii) Transactions with other related parties

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of goods	74,981	73,798
Sales of fixed assets	55,556	–
Provision of services	9,202	6,957
Purchase of fixed assets	560,729	513,350
Purchase of materials	355,873	218,411
Receiving services	139,442	129,871
Management fee	12,142	488
Loans to related parties	–	10,210
Loans repaid from related parties	–	205,500
Interest on loans	704	3,919

##### (c) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Short-term employees benefits	827	812
Post-employment benefits	145	143
	972	955
Directors and supervisors	255	361
Senior management	717	594
	972	955

## 8. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

##### (d) Amounts due from/to related parties

###### (i) Due from related parties

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
CK Engineering	93,824	124,311
Conch Kawasaki Equipment	201,204	149,225
CK Equipment	33,836	100,400
Dragon Mountain	3,279	7,833
Conch Design Institute	35	1,317
Conch Profiles and Science	498	503
Qingsong Building Materials and Chemicals	8,939	-
Chengli Building Material	22,650	12,967
Haibao Cement	298	2,537
Hwasu Corporation	12,786	-
Other related parties	1,650	684
	<b>378,999</b>	<b>399,777</b>

###### (ii) Due to related parties

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
CK Engineering	106,738	116,786
Conch Kawasaki Equipment	88,498	32,194
CK Equipment	45,805	86,473
Dragon Mountain	1,365	4,790
Conch Design Institute	177,109	214,376
Conch Profiles and Science	2,055	1,604
Sanshan Port	12,693	4,398
HC Port	3,770	5,640
Conch IT Engineering	4,058	5,952
Gaolin Building Material	-	1,830
Conch Holdings	756	2,361
Conch New Materials	463	1,471
Conch Venture Property	21,531	29,251
Other related parties	167	98
	<b>465,008</b>	<b>507,224</b>

#### 26 CONTINGENT LIABILITIES

At 30 June 2014, outstanding letters of credit issued by the Group amounted to approximately RMB158.921 million (31 December 2013: RMB131.218 million). The directors do not consider these outstanding letters of credit will bring additional risk to the Group.



## 9. Documents for Inspection

- (1) A copy of the financial statements bearing the signatures and seals of the officer-in-charge of each of the Company, the accounting functions and the accounting department;
- (2) Originals of all the corporate documents and the announcements of the Company which were disclosed in the newspapers designated by the CSRC during the Reporting Period;
- (3) A copy of this half-year report of the Company published on the Stock Exchange.

**Anhui Conch Cement Company Limited**

**Guo Wensan**

Chairman

21 August 2014