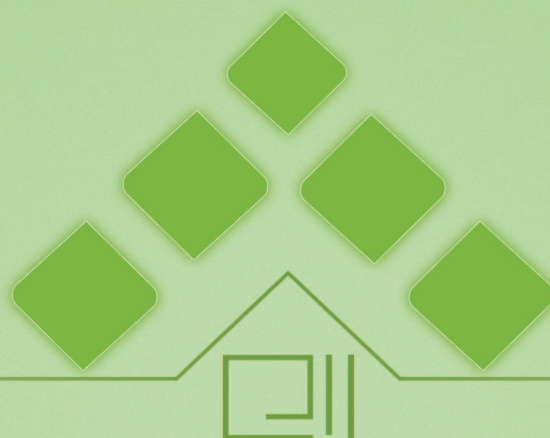


CONCH VENTURE



Striving to focus on energy-preservation, environmental-friendly and new building materials industries to build a beautiful home for all people

2014 中期報告 INTERIM REPORT

China Conch Venture Holdings Limited  
中國海螺創業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

This Interim Report, in both Chinese and English versions, is available on the Company's website at <http://www.conchventure.com> (the "Company Website"). Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the Corporate Communications in printed form free of charge.

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

Shareholders may send their requests at any time to receive the Interim Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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## DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

Articles of Association:	the articles of association of the Company adopted on 3 December 2013
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
BMGH Trust:	the fixed trust established with effect from 11 July 2013 with (i) Mr. Hua Yuzhou as settler and (ii) the SA Member Beneficiaries of SA Baimashan as fixed beneficiaries
Board:	the board of Directors of the Company
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
China or the PRC:	the People's Republic of China
Company or Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*)
Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and Conch Profiles)
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Confluence Investment:	Confluence Investment Holdings Limited (百匯投資控股有限公司)
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company
EPC:	engineering, procurement and construction, a type of business arrangement used in the design and construction of a facility



## DEFINITIONS

Golden Convergence:	Golden Convergence Limited (金匯有限公司)
Group:	the Company and its subsidiaries
HC Port:	揚州海昌港務實業有限責任公司 (Yangzhou Haichang Port Industrial Co., Ltd.*)
HK\$:	Hong Kong dollars, the lawful currency of Hong Kong
HLGH Discretionary Objects:	in respect of the HLGH Discretionary Trust, the employees from time to time of Conch Holdings, CV Investment, the Company and those of their respective direct or indirect subsidiaries and companies in which they have interests
HLGH Discretionary Trust:	the discretionary trust established with effect from 11 July 2013, (I) with Mr. Liu Yi as settlor and (II) whose discretionary objects are the HLGH Discretionary Objects
HLGH Fixed Investment:	HLGH Fixed Investment Limited
HLGH Fixed Trust:	the fixed trust established with effect from 11 July 2013, with (I) Mr. Liu Yi as settlor and (II) the SA Member Beneficiaries of the Conch Group Staff Association as fixed beneficiaries (but does not include any Individual Owners)
HLGH Investment:	HLGH Investment Limited
HLGH PTC:	HLGH Management (PTC) Limited
Hong Kong or HK:	the Hong Kong Special Administrative Region of the PRC
Individual Owners:	collectively, Messrs. Guo Wensan, Li Shunan, Wang Jun, Zhu Dejin, Zhu Zhongping (the chief accountant of the Company), Guo Jingbin (an executive Director of the Company) and Ji Qinying (an executive Director of the Company)
Indonesia:	The Republic of Indonesia
Listing Rules:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
Management:	the senior management of the Company

## DEFINITIONS

Myanmar:	The Republic of the Union of Myanmar
NGGH Investment:	NGGH Investment Limited
NGGH PTC:	NGGH Management (PTC) Limited
NGGH Trust:	the fixed trust established with effect from 11 July 2013, with (I) Mr. Rao Peijun as settlor and (II) the SA Member Beneficiaries of Ningguo Staff Association as fixed beneficiaries
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	the six-month period from 1 January 2014 to 30 June 2014
RMB:	Renminbi, the lawful currency of the PRC
SA Baimashan:	安徽省白馬山水泥廠工會委員會 (The Staff Association of Baimashan Cement Plant*)
SA Conch Group or Conch Group Staff Association:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Company Limited*)
SA Member Beneficiary(ies):	staff member(s) of SA Conch Group, SA Baimashan, SA Ningguo or SA Profiles who was (were) indirectly entitled to benefits to (I) CV Investment whose capital is held through (and in the name of) the relevant staff association; and (II) where applicable, save and except the Individual Owners, the Company whose capital is held through the HLGH Fixed Trust, HLGH Discretionary Trust, NGGH Trust, BMGH Trust and XCGH Trust
SA Ningguo or Ningguo Staff Association:	安徽省寧國水泥廠工會委員會 (The Staff Association of Ningguo Cement Plant*)
SA Profiles:	蕪湖海螺型材科技股份有限公司工會委員會 (The Staff Association of Conch Profiles*)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shareholders:	shareholders of the Company
Splendor Court:	Splendor Court Holdings Limited (華廷控股有限公司)

## DEFINITIONS

State Council:	the State Council of the People's Republic of China
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Vietnam:	Socialist Republic of Vietnam
XCGH Trust:	the fixed trust established with effect from 11 July 2013 with (I) Mr. Zhou Xiaochuan as settlor and (II) the SA Member Beneficiaries of SA Profiles as fixed beneficiaries

\* *Translation for identification purpose only*



## 1. CORPORATE INFORMATION

### REGISTERED CHINESE NAME OF THE COMPANY:

中國海螺創業控股有限公司

### CHINESE ABBREVIATION:

海螺創業

### REGISTERED ENGLISH NAME OF THE COMPANY:

CHINA CONCH VENTURE HOLDINGS LIMITED

### ENGLISH ABBREVIATION:

CONCH VENTURE

### EXECUTIVE DIRECTORS:

Mr. GUO Jingbin (*Chairman*)

Mr. JI Qinying (*Chief Executive Officer*)

Mr. LI Jian

Mr. LI Daming

### NON-EXECUTIVE DIRECTOR:

Ms. ZHANG Mingjing

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. CHAN Chi On (Alias Derek CHAN)

Mr. CHAN Kai Wing

Mr. LAU Chi Wah, Alex

### AUDIT COMMITTEE:

Mr. CHAN Chi On (Alias Derek CHAN) (*Chairman*)

Mr. CHAN Kai Wing

Mr. LAU Chi Wah, Alex

### REMUNERATION AND NOMINATION COMMITTEE:

Mr. LAU Chi Wah, Alex (*Chairman*)

Mr. CHAN Chi On (Alias Derek CHAN)

Mr. CHAN Kai Wing

Mr. JI Qinying

Ms. ZHANG Mingjing

### JOINT COMPANY SECRETARIES:

Mr. SHU Mao

Ms. NG Sin Yee, Clare

### AUTHORISED REPRESENTATIVES:

Mr. GUO Jingbin

Mr. JI Qinying

### REGISTERED OFFICE OF THE COMPANY:

Cricket Square, Hutchins Drive,

P.O. Box 2681,

Grand Cayman KY1-1111,

Cayman Islands

### ADDRESS OF THE HEAD OFFICE IN THE PRC:

1011 Jiu Hua South Road,

Wuhu City, Anhui Province,

China

### POSTAL CODE:

241070

### EMAIL ADDRESS OF THE COMPANY:

hlcy@conch.cn

### WEBSITE OF THE COMPANY:

<http://www.conchventure.com>

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

Suite 4018, 40/F Jardine House,

1 Connaught Place,

Central,

Hong Kong

### HONG KONG LEGAL ADVISOR:

Chiu & Partners



# 1. CORPORATE INFORMATION

## **COMPLIANCE ADVISOR:**

First Shanghai Capital Limited

## **INTERNATIONAL AUDITOR:**

KPMG

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT:**

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
P.O. Box 2681,  
Grand Cayman KY1-1111,  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR:**

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716,  
17/F, Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong

## **STOCK CODE:**

00586

## 2. FINANCIAL HIGHLIGHTS

### FINANCIAL OVERVIEW (FOR THE SIX MONTHS ENDED 30 JUNE 2014)

#### Operating results

Item	January– June 2014 RMB'000	January– June 2013 RMB'000	Unit: RMB'000
			Changes between the Reporting Period and the corresponding period of the previous year (%)
Turnover	<b>737,241</b>	656,708	12.26
Profit before taxation	<b>1,265,300</b>	717,715	76.30
Share of profit of an associate	<b>1,072,134</b>	547,411	95.86
Net profit attributable to equity shareholders of the Company	<b>1,165,678</b>	619,688	88.11

#### Assets and liabilities

Item	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000	Unit: RMB'000
			Changes between the Reporting Period and the end of the previous year (%)
Total assets	<b>16,455,739</b>	15,976,669	3.00
Total liabilities	<b>2,390,505</b>	2,699,547	(11.45)
Equity attributable to equity shareholders of the Company	<b>13,616,495</b>	12,801,011	6.37

### 3. BUSINESS REVIEW AND OUTLOOK

#### MACRO ENVIRONMENT

In the first half of 2014, the global economy maintained its steady recovery, and the economic development of China remained stable in general. China's gross domestic product and the total investment in fixed assets increased by 7.4% and 17.3% respectively, as compared with the corresponding period in the previous year. As a major player in the world economy, while maintaining steady economic growth, China is provocatively restructuring its economy, and will prioritise the development of green economy and environmental protection industries in future economic reforms.

According to the National Bureau of Statistics of China, the urbanisation rate of China reached 53.7% in 2013 and is still increasing rapidly. In response to the acceleration of urbanisation and demand for economic restructuring, the State Council issued various policies including the Air Pollution Prevention and Control Plan (2013–2017) (《大氣污染防治行動計劃2013-2017》) and the Opinions on Promoting the Development of Energy-Preservation and Environmental-Protection Industries (《關於加快發展節能環保產業的意見》) to promote the development of energy-preservation and environmental-protection industries and industry upgrade and transformation. Local governments have also formulated implementation measures. All of these efforts have fully demonstrated the Chinese government's determination and long-term plan to promote environment protection. By capitalising on the opportunities arising from the favourable policies, development of the energy-preservation and environmental-protection industries will be promising.

In addition, infrastructure investment will switch from traditional building materials to new urban building materials as urbanisation carries forward. Under the favourable policies, industries such as new building materials will also benefit from the new urbanisation and grow rapidly. Development potential of the industry is huge.

#### BUSINESS DEVELOPMENT

During the Reporting Period, under the support of the government's policies and fast growth of the industry, the Group strived to focus on energy-preservation, environmental-friendly and new building materials industries to build a beautiful home for all people. The Group's residual heat power generation and energy-saving vertical mills manufacturing businesses developed steadily, and it has exerted great efforts in the promotion of its waste incineration projects. Leveraging on its comprehensive advantages in technology, capital and management, the Group further consolidated its capability in technological research and development, process design, construction, operation management and equipment manufacturing to provide integrated energy-preservation and environmental-protection solutions in timely response to the market changes while maximising its profit. The scale and efficiency of its operation continued to grow, and its market shares increased significantly. Projects under construction and under planning also achieved satisfactory progress.

### 3. BUSINESS REVIEW AND OUTLOOK

In order to support the healthy and sustainable development of the Group, the Group strengthened its cooperation with China National Building Material Group Corporation by entering into a strategic cooperation agreement for the cooperation in waste incineration projects with its technological strength in waste incineration projects and the nation-wide cement production lines of China National Building Material Group Corporation. Besides, the Group also entered into a strategic cooperation agreement with New World Environmental Services Group in respect of the disposal project of solid waste by cement kilns and such project will be first constructed in Qian County, Shaanxi Province.



China National Building Material Group Corporation and the Group entered into a strategic cooperation agreement for the waste disposal project



The People's Government of Qian County, Shaanxi Province and the Group entered into an investment agreement for the disposal project of solid waste by cement kilns

During the Reporting Period, the Group facilitated the development of energy-preservation and environmental-protection industries and accelerated the construction progress of new building materials projects in Bozhou and Wuhu. The two projects are expected to commence operation in September and December of 2014, respectively. While ensuring the project progress, the Group also carried out various preparatory works such as formulating marketing strategies, recruiting staff and training employees.

### 3. BUSINESS REVIEW AND OUTLOOK

#### OPERATING RESULTS

During the Reporting Period, the Group had 21 revenue-generating residual heat power generation projects and 10 orders for residual heat power generation projects, while 10 and 12 sets of its energy-saving vertical mills were sold and contracted, respectively.

As at 30 June 2014, the Group had 14 contracted waste incineration projects, including 6 waste incineration projects under construction, 8 approved waste incineration projects under planning and 3 waste incineration projects under negotiation with intention to sign contracts.

Details of the contracted waste incineration projects are as follows:

No.	Status	Location	Business model	Size		Expected completion date
				Domestic waste	Sludge	
1		Qingzhen, Guizhou Province	EPC	1×300t/d		November 2014
2		Pingliang, Gansu Province	BOT	1×300t/d		October 2014
3		Zunyi, Guizhou Province	EPC	2×400t/d		November 2014
4	Contracted projects under construction	Zhong County, Chongqing	EPC	1×200t/d		December 2014
5		Yangchun, Guangdong Province	BOT	1×200t/d		March 2015
6		Grate furnace waste-to-energy (Phase I) in Jinzhai County, Anhui Province	BOT	1×300t/d		October 2015
7		Baoshan, Yunnan Province	EPC	1×300t/d		September 2015
8		Qiyang County, Hunan Province	BOT	1×300t/d		October 2015
9		Shuangfeng County, Hunan Province	BOT	1×200t/d		October 2015
10	Contracted projects under planning	Shimen County, Hunan Province	BOT	1×200t/d		October 2015
11		Nanjiang County, Sichuan Province	BOT	1×200t/d		December 2015
12		Longyan, Fujian Province	EPC	1×300t/d		To be confirmed
13		Qian County, Shaanxi Province	Proprietary investment		1×200t/d	May 2015
14		Yuping County, Guizhou Province	BOT	1×100t/d		August 2015

During the Reporting Period, the Group explored cargo sources for its port logistics business. With rising investment in technological transformation, it maintained stable growth in turnover of its port logistics business with throughput of 10.80 million tonnes, representing an increase of 1.88 million tonnes as compared with the corresponding period in the previous year.

### 3. BUSINESS REVIEW AND OUTLOOK

#### OUTLOOK

The business growth and efforts of the Group have gained widespread recognition from the capital market and the society. The Group being included as a Constituent Stock of Hang Seng Mainland 100 Index on 9 June 2014 also demonstrates its outstanding performance and long term development potential.

Looking forward, the Group is determined to capture new development opportunities and overcome challenges. The Group will consolidate its achievements in energy-saving industry to boost the steady growth of environmental-protection industry. In addition, the Group will proactively carry out preparatory works before the new building materials projects in Wuhu and Bozhou commence operation. Subsequent to the commencement of operation, the annual production capacity of cellulose cement autoclaved boards of the Group will reach 32.0 million square meters, making the Group the largest producer and supplier of cellulose cement autoclaved boards in China and generating additional revenue for the Group. New projects in other regions of China will be deployed in line with sales conditions in the market. The Group will selectively seek opportunities of merger and acquisition and explore new businesses while developing its principal businesses, with an aim to expand to the international market, develop into a world-class enterprise and achieve better financial results for its shareholders.



New building materials project in Wuhu under construction



The new building materials project in Bozhou is undergoing individual equipment trial tests



The office building for the new building materials project in Bozhou under construction

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### PROFITS

During the Reporting Period, the Group recorded turnover of RMB737 million and profit before taxation of RMB1.265 billion, representing increases of 12.26% and 76.30% as compared with the corresponding period of the previous year, respectively. During the Reporting Period, net profit attributable to the equity shareholders of the Company amounted to RMB1.166 billion, representing an increase of 88.11% as compared with the corresponding period of the previous year. Basic earnings per share amounted to RMB0.65.

### Share of revenue and profit of Conch Cement

Item	January–June 2014		January–June 2013		Change in amount (%)	Change in percentage (percentage point)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
<b>Turnover</b>	<b>737,241</b>	<b>100.00</b>	656,708	100.00	12.26	–
Other customers	364,531	49.45	290,472	44.23	25.50	5.22
Conch Cement	372,710	50.55	366,236	55.77	1.77	(5.22)
<b>Profit for the period</b>	<b>1,228,609</b>	<b>100.00</b>	681,280	100.00	80.34	–
Share of profit of an associate	1,072,134	87.26	547,411	80.35	95.86	6.91
Profit attributable to operations	156,475	12.74	133,869	19.65	16.89	(6.91)

During the Reporting Period, the Group strived to explore new markets. Turnover from other customers was RMB365 million and accounted for 49.45% of total turnover, representing increases of 25.50% and 5.22 percentage points as compared with the corresponding period of the previous year, respectively. Turnover from Conch Cement was RMB373 million, representing an increase of 1.77% as compared with the corresponding period of the previous year. Its proportion to total turnover decreased by 5.22 percentage points as compared with the corresponding period of the previous year. Share of profit of an associate amounted to RMB1.072 billion, representing an increase of 95.86% as compared with the corresponding period of the previous year. The increase was mainly attributable to the significant profit growth in Conch Cement, whose 36.78% equity interest was held by Conch Holdings which in turn was held as to 49% by the Group, resulting in an increase of profit attributable to the Group from Conch Holdings.

### Turnover by business segments

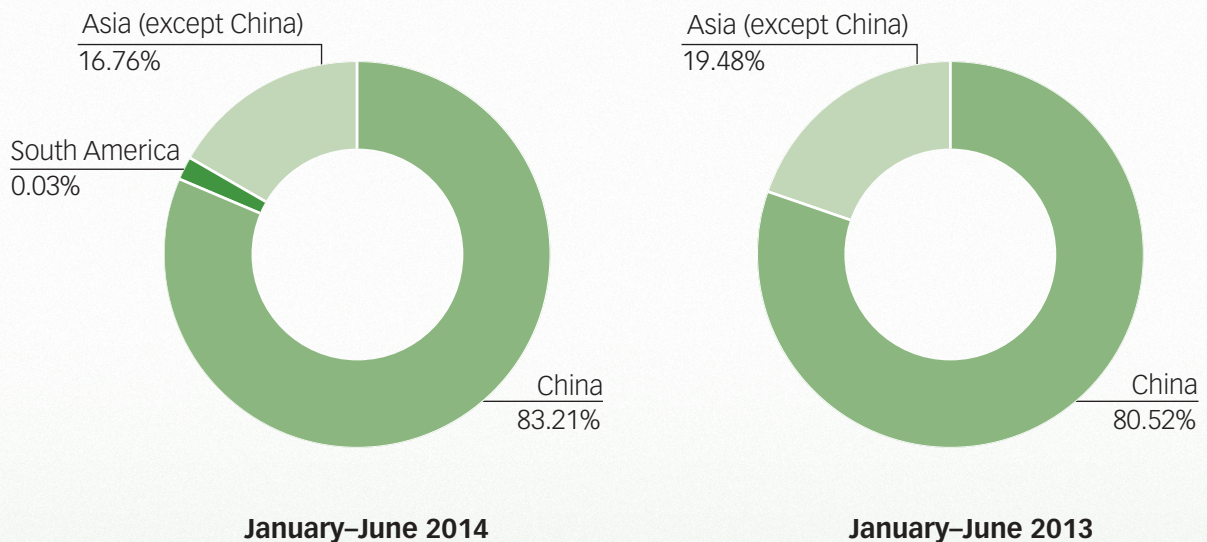
Item	January–June 2014		January–June 2013		Change in amount (%)	Change in percentage (percentage point)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Residual heat power generation	471,068	63.90	499,170	76.01	(5.63)	(12.11)
Vertical mills	164,839	22.36	93,824	14.29	75.69	8.07
Waste incineration	27,913	3.78	–	–	–	3.78
Subtotal	663,820	90.04	592,994	90.30	11.94	(0.26)
Port logistics services	73,421	9.96	63,714	9.70	15.24	0.26
Total	737,241	100.00	656,708	100.00	12.26	–

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the turnover of vertical mill, waste incineration and port logistics services of the Group maintained steady growth while the turnover of residual heat power generation experienced a slight decrease. In terms of turnover segments: (i) the turnover of waste incineration amounted to RMB27.913 million, which was mainly attributable to the recognition of partial revenue from waste incineration in Chongqing, Zunyi in Guizhou and Pingliang in Gansu; (ii) the turnover of vertical mills and port logistics services increased by 75.69% and 15.24% as compared with the corresponding period of pervious year, respectively. The increase in the turnover of vertical mills was mainly attributable to the increase in orders as compared with the corresponding period of previous year while the increase in the turnover of port logistics services was mainly due to the increase in cargo source and throughput capacity of ports; (iii) the turnover of residual heat power generation decreased by 5.63% as compared with the corresponding period of the previous year, which was mainly attributable to decrease in operating revenue resulting from the delay in some construction projects due to the funding problem of project owners.

### Turnover by geographical locations

Unit: RMB'000



During the Reporting Period, the turnover of the Group was largely generated from Chinese market, which accounted for 83.21% of the total turnover. Its proportion to total turnover increased by 2.69 percentage points as compared with the corresponding period of the previous year. Turnover increased by 16.02% as compared with the corresponding period of last year.



## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

Item	January–June 2014		January–June 2013		Change in amount (%)	Change in gross profit margin (percentage point)
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)		
Residual heat power generation	137,028	29.09	173,436	34.74	(20.99)	(5.65)
Vertical mills	46,078	27.95	21,926	23.37	110.15	4.58
Waste incineration	13,541	48.51	–	–	–	–
Subtotal	196,647	29.62	195,362	32.95	0.66	(3.33)
Port logistics services	40,325	54.92	39,306	61.69	2.59	(6.77)
Total	236,972	32.14	234,668	35.73	0.98	(3.59)

During the Reporting Period, the consolidated gross profit margin of products of the Group was 32.14%, representing a decrease of 3.59 percentage points as compared with the corresponding period of the previous year, primarily due to the decrease in prices as a result of intensified competition in the residual heat power generation market. Higher gross profit margin was recorded for waste incineration projects mainly because the projects for which income was recognised were at their design stage with higher gross profit margin. Gross profit margin for port logistics services experienced a decrease of 6.77 percentage points, which was attributable to the changes in the structure of cargo source.

### Distribution costs

During the Reporting Period, the distribution costs of the Group were RMB13.052 million, representing an increase of RMB2.787 million, or 27.15%, as compared with the corresponding period of the previous year, primarily due to the increase in transportation charges as a result of higher sales of vertical mills of the Group.

### Administrative expenses

During the Reporting Period, the administrative expenses of the Group were RMB45.398 million, representing a decrease of RMB6.697 million, or 12.86%, as compared with the corresponding period of the previous year, primarily due to the listing expenses of the corresponding period of last year and the decrease in the provision for asset impairment of trade receivables for the period as compared with the corresponding period of the previous year.

### Finance costs

During the Reporting Period, the finance costs of the Group were RMB35.278 million, representing an increase of RMB25.650 million as compared with the corresponding period of the previous year, primarily due to the increase in interest expenses as a result of the taking up of loans by the Group as part of its restructuring.

### Profit before taxation

During the Reporting Period, the profit before taxation of the Group was RMB1.265 billion, representing an increase of RMB548 million, or 76.30%, as compared with the corresponding period of the previous year, primarily due to the profit growth of its principal business and the increase in its share of profit of an associate.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL POSITION

As at 30 June 2014, the financial position of the Group remained sound and stable. Total assets and equity attributable to equity shareholders of the Company amounted to RMB16.456 billion and RMB13.616 billion, representing increases of RMB479 million and RMB815 million, respectively, as compared with the end of the previous year. The increases were mainly due to the profit growth of the principal business of the Group and the increase in its share of profit of an associate. Gearing ratio was 14.53%, representing a decrease of 2.37 percentage points as compared with the end of the previous year.

### Non-current assets and non-current liabilities

As at 30 June 2014, the non-current assets of the Group was RMB12.107 billion, representing an increase of 9.78% as compared with the end of the previous year, primarily due to an increase in its interest in an associate. Non-current liabilities of the Group was RMB740 million, representing a decrease of 32.97% as compared with the end of the previous year, primarily due to the early repayment of long-term bank loans by the Group.

### Current assets and current liabilities

As at 30 June 2014, the current assets of the Group was RMB4.349 billion, representing a decrease of 12.11% as compared with the end of the previous year, primarily due to the accelerated project investment and the repayment of certain bank loans. Current liabilities of the Group was RMB1.651 billion, representing an increase of 3.44% as compared with the end of the previous year, primarily due to the increase in the balance of dividend payable of the Group. Current ratio and debt to equity ratio (calculated by dividing total loans by total equity) of the Group were 2.64 and 0.08, respectively, as compared with 3.10 and 0.12 at the end of the previous year respectively.

### BANK LOANS

Item	At 30 June 2014 (RMB'000)	At 31 December 2013 (RMB'000)
Due within one year	328,804	484,804
Due after one year but within two years	690,000	904,000
Due after two years but within five years	50,000	200,000
Total	1,068,804	1,588,804

As at 30 June 2014, the balance of bank loans of the Group amounted to RMB1,068.804 million, representing a decrease of RMB520 million as compared with the end of the previous year, primarily due to the repayment of certain loans by the Group during the Reporting Period.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### CASH FLOW

Item	January– June 2014 (RMB'000)	January– June 2013 (RMB'000)
Net cash generated from operating activities	<b>204,703</b>	150,318
Net cash used in investing activities	<b>(871,748)</b>	(140,129)
Net cash used in financing activities	<b>(739,867)</b>	(39,864)
Net decrease in cash and cash equivalents	<b>(1,406,912)</b>	(29,675)
Cash and cash equivalents at the beginning of the period	<b>3,698,141</b>	276,388
Effect of foreign exchange rate changes	<b>14,190</b>	–
Cash and cash equivalents at the end of the period	<b>2,305,419</b>	246,713

#### Net cash generated from operating activities

During the Reporting Period, net cash generated from the operating activities of the Group amounted to RMB204.703 million, representing an increase of RMB54.385 million as compared with the corresponding period of the previous year. The increase was mainly attributable to the increase in the revenue of the Group and the decrease in the balance of bank acceptance notes due from customers.

#### Net cash used in investing activities

During the Reporting Period, net cash outflow used in the investing activities of the Group amounted to RMB871.748 million, representing an increase of RMB731.619 million as compared with the corresponding period of the previous year. The increase was mainly attributable to the time deposit made by the Group for better use of funds.

#### Net cash used in financing activities

During the Reporting Period, net cash outflow used in the financing activities of the Group amounted to RMB739.867 million, representing an increase of RMB700.003 million as compared with the corresponding period of the previous year. The increase was mainly attributable to the repayment of bank loans and payment of dividends by the Group during the Reporting Period.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### COMMITMENTS

During the Reporting Period, the capital expenditure of the Group amounted to RMB156.599 million, which was mainly the expenditure for the investment in new building materials in Bozhou and Wuhu, HC Port and waste incineration projects in progress.

As at 30 June 2014, outstanding purchase commitments of the Group were as follows:

Items	At 30 June 2014 (RMB'000)	At 31 December 2013 (RMB'000)
Authorised and contracted for	224,682	69,863
Authorised but not contracted for	590,995	163,142
<b>Total</b>	<b>815,677</b>	233,005



Waste incineration project in Zunyi under construction



The raw material millstone for the Thailand SCG cement project built by the Group in Indonesia

### FOREIGN EXCHANGE RISK

The foreign exchange risk faced by the Group mainly derives from account receivables and payables arising from sales and procurement and proceeds from the issue of new shares which are denominated in foreign currencies, mainly including US dollars, Hong Kong dollars and Japanese Yen. The Group adopted effective management and control measures to control the risk within acceptable range.

### CONTINGENT LIABILITIES

During the Reporting Period, the Group had no material contingent liabilities.

### MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, the Company and its relevant subsidiaries or associates had not conducted any material acquisitions or disposals.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 19 December 2013. Total proceeds from the global offering amounted to approximately HK\$3,968.3 million. The Company currently has no intention to change the plan of use of proceeds as disclosed in the prospectus of the Company dated 9 December 2013.

### HUMAN RESOURCES

The Group always values the management of human resources by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group organised seminars relating to domestic waste treatment technology, project technology and marketing of new building materials, highlights of commercial contracts and basic knowledge of grate incinerator technology. In order to strengthen team building, the Group recruited graduates of universities and vocational schools across China through numerous channels.

As at 30 June 2014, the Group had approximately 815 employees. The remuneration of employees is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to a resolution in writing passed by all shareholders on 3 December 2013 for the purpose of granting options to selected participants as incentives or rewards for their contribution to the Group.

Since the listing of the Group, no share option had been granted under the Share Option Scheme.



The Company organised various leisure activities for employees

## 5. OTHER INFORMATION

### (1) INTERIM DIVIDEND

The Board of the Company does not recommend the distribution of any interim dividend for the six months ended 30 June 2014.

### (2) DISCLOSURE OF INTERESTS

#### 1. Substantial Shareholders' Interests or Short Positions

As at 30 June 2014, so far as the Directors were aware of, the interests and short positions of persons other than the Directors and chief executive of the Company in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO were as follows:

Name of shareholders	Number of shares (note 1)	Shareholdings (%)	Capacity/nature of interest
HLGH PTC (notes 2 and 3)	855,015,837	47.38	Interest of controlled corporation and trustee
HLGH Fixed Investment (note 2)	703,165,206	38.96	Beneficial owner
HLGH Investment (note 3)	151,850,631	8.41	Beneficial owner
Mr. Liu Yi (note 4)	855,015,837	47.38	Sole shareholder and director of HLGH PTC, and settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust
Ms. Wang Ning (note 4)	855,015,837	47.38	Interest of spouse (spouse of Mr. Liu Yi)
NGGH PTC (note 5)	136,344,891	7.55	Interest of controlled corporation and trustee
NGGH Investment (note 5)	136,344,891	7.55	Beneficial owner
Mr. Rao Peijun (note 6)	136,344,891	7.55	Sole shareholder and director of NGGH PTC and settlor of the NGGH Trust
Ms. Chen Lijun (note 6)	136,344,891	7.55	Interest of spouse (spouse of Mr. Rao Peijun)

## 5. OTHER INFORMATION

Notes:

1. All shareholdings are in long positions.
2. HLGH Fixed Investment is a wholly owned subsidiary of HLGH PTC. HLGH Fixed Investment and the shares owned by it form part of the trust assets of the HLGH Fixed Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Fixed Trust is a fixed trust and, as at 30 June 2014, it had 3,579 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 2.05%. All these fixed beneficiaries are SA Member Beneficiaries of SA Conch Group.
3. HLGH Investment is a wholly owned subsidiary of HLGH PTC. HLGH Investment and the shares owned by it form part of the trust assets of the HLGH Discretionary Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Discretionary Trust is a discretionary trust and its discretionary objects are the HLGH Discretionary Objects.
4. HLGH PTC is a trustee company incorporated in British Virgin Islands. Mr. Liu Yi is the sole shareholder of HLGH PTC. He is the sole director of each of HLGH PTC, HLGH Fixed Investment and HLGH Investment. He is also the settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust. Mr. Liu is deemed to be interested in 151,850,631 shares in his capacity of settlor of the HLGH Discretionary Trust, and is deemed to be interested in 703,165,206 shares in his capacity of the sole director of HLGH PTC and HLGH Fixed Investment. Ms. Wang Ning is the spouse of Mr. Liu Yi, and accordingly she is deemed to be interested in an aggregate of 855,015,837 shares by virtue of the SFO.
5. NGGH Investment is a wholly owned subsidiary of NGGH PTC. NGGH Investment and the shares owned by it form part of the trust assets of the NGGH Trust, which was established by Mr. Rao Peijun as settlor and whose trustee is NGGH PTC. The NGGH Trust is a fixed trust and, as at 30 June 2014, it had 1,424 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 0.19%. All these fixed beneficiaries are SA Member Beneficiaries of SA Ningguo.
6. NGGH PTC is a trustee company incorporated in British Virgin Islands. Mr. Rao Peijun is the sole shareholder of NGGH PTC. He is the sole director of each of NGGH PTC and NGGH Investment. He is also the settlor of the NGGH Trust. Mr. Rao is deemed to be interested in 136,344,891 shares in his capacity of the sole director of NGGH PTC and NGGH Investment. Ms. Chen Lijun is the spouse of Mr. Rao Peijun, and accordingly she is deemed to be interested in the said 136,344,891 shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2014, the Directors were not aware of any other persons other than the Directors and chief executive of the Company who had interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

## 5. OTHER INFORMATION

### 2. Directors' and Chief Executive's Interests and Short Positions

As at 30 June 2014, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

#### A. The Company

Name of Directors	Capacity/nature of interests	Number of shares (note 1)	Shareholdings (%)
Mr. Guo Jingbin (note 2)	Interest of controlled corporation	62,680,000	3.47
Mr. Ji Qinying (note 3)	Interest of controlled corporation	61,080,000	3.38
	Interest of spouse (note 3)	33,752	0.002
Mr. Li Jian (note 4)	A beneficiary of a fixed trust (HLGH Fixed Trust)	7,646,370	0.42
	Interest of spouse (note 4)	105,346	0.006
Mr. Li Daming (note 5)	A beneficiary of a fixed trust (HLGH Fixed Trust)	6,112,563	0.34
	A beneficiary of a fixed trust (HLGH Fixed Trust)	17,457,675	0.97
Ms. Zhang Mingjing (note 6)	A beneficiary of a fixed trust (HLGH Fixed Trust)	17,457,675	0.97
	Interest of spouse (note 6)	32,020,909	1.77

Notes:

- All shareholdings are in long positions.
- These shares are owned by Splendor Court which is solely owned by Mr. Guo Jingbin.
- These shares are owned by Golden Convergence which is solely owned by Mr. Ji Qinying. Ms. Yan Zi is the spouse of Mr. Ji who is taken to be interested in such shares to which she is entitled as a beneficiary under the HLGH Fixed Trust.
- Mr. Li Jian is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment. Ms. Wang Zhenying is the spouse of Mr. Li Jian who is taken to be interested in such shares to which she is entitled as a beneficiary under the HLGH Fixed Trust.
- Mr. Li Daming is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment.
- Ms. Zhang Mingjing is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment. Mr. Zhu Zhongping, the chief accountant of the Company, is the spouse of Ms. Zhang who is taken to be interested in such shares held by Mr. Zhu through his controlled corporation, Confluence Investment.



## 5. OTHER INFORMATION

### B. Associated Corporation

Name of Directors	Name of Associated Corporation	Number of Shares (A shares)	Shareholdings (%)	Capacity
Mr. Li Jian	Conch Cement	417,000	0.01	Beneficial owner
Mr. Li Daming	Conch Cement	310,000	0.01	Beneficial owner

### 3. Interests and Short Positions of Senior Management

As at 30 June 2014, interests and short positions of the senior management of the Company were as follows:

Name of senior management	Capacity/nature of interests	Number of Shares (note 1)	Shareholdings (%)
Mr. Zhu Zhongping (note 2)	Interest of controlled corporation	32,020,909	1.77
	Interest of spouse (note 3)	17,457,675	0.97
Mr. Wang Xuesen (note 4)	A beneficiary of a fixed trust (HLGH Fixed Trust)	4,125,418	0.23

Notes:

- All shareholdings are in long positions.
- These shares are owned by Confluence Investment which is solely owned by Mr. Zhu Zhongping.
- Ms. Zhang Mingjing is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment. Mr. Zhu Zhongping is the spouse of Ms. Zhang and is taken to be interested in such shares to which Ms. Zhang is entitled as a beneficiary under the HLGH Fixed Trust.
- Mr. Wang Xuesen is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



## 5. OTHER INFORMATION

### (3) PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### (4) CHANGE IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, after his re-election as a Director at the annual general meeting of the Company held on 21 May 2014, Mr. Guo Jingbin was re-designated from a non-executive Director to an executive Director effective from 1 July 2014 with a term of three years commencing therefrom. Mr. Guo Jingbin served as an executive director of Conch Cement (its A Shares are listed on the Shanghai Stock Exchange (stock code: 600585) and its H Shares are listed on the Stock Exchange (stock code: 00914)) from October 1997 to 19 June 2014, and was re-designated as a non-executive director of Conch Cement since 20 June 2014.

Ms. Zhang Mingjing was appointed as a non-executive Director at the annual general meeting of the Company held on 21 May 2014, with a term of three years commencing therefrom. Ms. Zhang Mingjing has served as an executive director of Conch Cement (its A Shares are listed on the Shanghai Stock Exchange (stock code: 600585) and its H Shares are listed on the Stock Exchange (stock code: 00914)) since May 2011.

Save as disclosed above, there were no other changes in the Directors and senior management of the Company.

### (5) SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to a resolution in writing passed by all shareholders on 3 December 2013 for the purpose of granting options to selected participants as incentives or rewards for their contribution to the Group.

Since the listing of the Group, no share option had been granted under the Share Option Scheme.

### (6) CORPORATE GOVERNANCE

The Company is committed to achieving high standard of corporate governance in order to protect the interests of the Shareholders and improve corporate value and accountability. The Company acknowledges the importance of the Board in effectively leading and managing the business of the Company and ensuring the transparency and accountability of the Company's operation.

The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Listing Rules of the Stock Exchange as the corporate governance code of the Company. The Board has confirmed that, during the Reporting Period, the Company complied with the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules to formulate its operation, and the Company has further refined the corporate governance structure and enhanced its corporate governance under the guidance of the regulatory documents including the Listing Rules and the Articles of Association.

The Company will regularly review and improve its corporate governance practices in order to be continuously in compliance with the Corporate Governance Code.



## 5. OTHER INFORMATION

### (7) MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) ("Securities Dealing Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiries by the Company, all the Directors confirmed that they complied with the Model Code and the Securities Dealing Code during the Reporting Period.

The Company has also issued warning to employees about insider dealing ("Insider Dealing Warning") for securities transactions by employees.

During the Reporting Period, the Company is not aware of any incident of non-compliance of the Model Code, the Securities Dealing Code and the Insider Dealing Warning by the relevant employees.

### (8) AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex. The primary duties of the Audit Committee of the Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee and review the internal control procedures of the Company. The "Terms of Reference of the Audit Committee of the Board of Directors" of the Company clearly defines the duties and rules of the committee.

At the meeting of the Audit Committee held on 25 August 2014, the Audit Committee of the Company reviewed the unaudited interim results of the Group for the six months ended 30 June 2014. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.



## 5. OTHER INFORMATION

### (9) REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is composed of Mr. Lau Chi Wah, Alex, Mr. Chan Chi On (alias Derek Chan) and Mr. Chan Kai Wing, independent non-executive Directors, Mr. Ji Qinying, executive Director and chief executive officer and Ms. Zhang Mingjing, non-executive Director. The primary functions of the Remuneration and Nomination Committee of the Company are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, make recommendation to the Board on the remuneration packages for each of the executive Directors and senior management; and review performance based remuneration and ensure none of the Directors participate in deciding their own remuneration; to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually. The "Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors" of the Company clearly defines the duties and rules of the committee.

At the Board meeting and meeting of the Remuneration and Nomination Committee held on 25 August 2014, a resolution was passed by the Board and the Remuneration and Nomination Committee to appoint Ms. Zhang Mingjing, non-executive Director, as a member of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee of the Company has formulated a board diversity policy which sets out the approach to achieve diversity on the Board.

### (10) EVENTS SUBSEQUENT TO THE REPORTING PERIOD

None of the Company or the Group had any material events subsequent to the Reporting Period since 30 June 2014 and up to the date of this interim report.



## 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>Turnover</b>	3	<b>737,241</b>	656,708
Cost of sales		<b>(500,269)</b>	(422,040)
<b>Gross profit</b>		<b>236,972</b>	234,668
Other revenue	4	<b>60,937</b>	7,300
Other net (loss)/income	5	<b>(11,015)</b>	324
Distribution costs		<b>(13,052)</b>	(10,265)
Administrative expenses		<b>(45,398)</b>	(52,095)
<b>Profit from operations</b>		<b>228,444</b>	179,932
Finance costs	6(a)	<b>(35,278)</b>	(9,628)
Share of profit of an associate	11	<b>1,072,134</b>	547,411
<b>Profit before taxation</b>	6	<b>1,265,300</b>	717,715
Income tax	7	<b>(36,691)</b>	(36,435)
<b>Profit for the period</b>		<b>1,228,609</b>	681,280
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,165,678</b>	619,688
Non-controlling interests		<b>62,931</b>	61,592
<b>Profit for the period</b>		<b>1,228,609</b>	681,280
<b>Earnings per share</b>			
Basic and diluted (RMB)	9	<b>0.65</b>	0.41

The notes on pages 34 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 18(a).

## CONSOLIDATED STATEMENT OF PROFIT OR 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>1,228,609</b>	681,280
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>	8		
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale securities, net of tax		–	60
Share of changes of reserves of an associate, net of tax		<b>(18,790)</b>	(147,275)
Exchange differences on translation of financial statements of overseas subsidiaries and the Company		<b>25,124</b>	–
		<b>6,334</b>	(147,215)
<b>Total comprehensive income for the period:</b>		<b>1,234,943</b>	534,065
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,172,012</b>	472,473
Non-controlling interests		<b>62,931</b>	61,592
<b>Total comprehensive income for the period</b>		<b>1,234,943</b>	534,065

The notes on pages 34 to 52 form part of this interim financial report.

## 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>			
Property, plant and equipment	10	876,031	786,513
Lease prepayments		153,818	133,100
Intangible assets		1,005	1,193
Interest in an associate	11	10,852,778	9,806,938
Non-current portion of trade and other receivables	13	126,704	198,173
Finance lease receivable	14	45,267	52,098
Deferred tax assets		50,962	50,040
		<b>12,106,565</b>	11,028,055
<b>Current assets</b>			
Inventories	12	167,085	184,917
Trade and other receivables	13	1,091,229	1,029,643
Finance lease receivable within one year	14	14,461	14,461
Restricted bank deposits		3,190	3,662
Bank deposits with maturity over three months		767,790	17,790
Cash and cash equivalents	15	2,305,419	3,698,141
		<b>4,349,174</b>	4,948,614
<b>Current liabilities</b>			
Loans and borrowings	16	328,804	484,804
Trade and other payables	17	1,312,915	1,102,480
Income tax payables		8,786	8,263
		<b>1,650,505</b>	1,595,547
<b>Net current assets</b>		<b>2,698,669</b>	3,353,067
<b>Total assets less current liabilities</b>		<b>14,805,234</b>	14,381,122

The notes on pages 34 to 52 form part of this interim financial report.

## 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 liabilities</b>			
Loans and borrowings	16	<b>740,000</b>	1,104,000
<b>Net assets</b>		<b>14,065,234</b>	13,277,122
<b>Capital and reserves</b>	18		
Share capital		<b>14,347</b>	14,347
Reserves		<b>13,602,148</b>	12,786,664
<b>Equity attributable to equity shareholders of the Company</b>		<b>13,616,495</b>	12,801,011
<b>Non-controlling interests</b>		<b>448,739</b>	476,111
<b>Total equity</b>		<b>14,065,234</b>	13,277,122

The notes on pages 34 to 52 form part of this interim financial report.



## 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									
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Fair value reserve	Exchange reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000 (Note 18(b))	RMB'000	RMB'000 (Note 18(c)(i))	RMB'000 (Note 18(c)(ii))	RMB'000	RMB'000 (Note 18(c)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2013</b>	245,375	-	2,770,825	244,849	-	-	5,799,944	9,060,993	417,763	9,478,756
<b>Changes in equity for the six months ended 30 June 2013:</b>										
Profit for the period	-	-	-	-	-	-	619,688	619,688	61,592	681,280
Other comprehensive income	8	-	(147,275)	-	60	-	-	(147,215)	-	(147,215)
<b>Total comprehensive income</b>	-	-	(147,275)	-	60	-	619,688	472,473	61,592	534,065
Capital injection	100,000	-	-	-	-	-	-	100,000	-	100,000
Acquisition of non-controlling interests	1,600	-	-	4,878	-	-	739	7,217	(7,217)	-
Capitalisation of a subsidiary	20,400	-	-	(20,400)	-	-	-	-	-	-
Appropriation to reserves	18(c)(ii)	-	-	33,989	-	-	(33,989)	-	-	-
Deemed distribution to then equity holder arising from reorganisation	-	-	(766,445)	-	-	-	-	(766,445)	-	(766,445)
Profit distribution to then equity holders and non-controlling interests	-	-	-	-	-	-	(79,309)	(79,309)	(76,199)	(155,508)
<b>Balance at 30 June 2013 and 1 July 2013</b>	367,375	-	1,857,105	263,316	60	-	6,307,073	8,794,929	395,939	9,190,868
<b>Changes in equity for the six months ended 31 December 2013:</b>										
Profit for the period	-	-	-	-	-	-	1,217,098	1,217,098	80,172	1,297,270
Other comprehensive income	8	-	1,506	-	(60)	680	-	2,126	-	2,126
<b>Total comprehensive income</b>	-	-	1,506	-	(60)	680	1,217,098	1,219,224	80,172	1,299,396
Appropriation to reserves	18(c)(ii)	-	-	2,180	-	-	(2,180)	-	-	-
Deemed distribution to then equity holder arising from reorganisation	(367,375)	-	(6,701)	-	-	-	-	(374,076)	-	(374,076)
Issuance of shares upon reorganisation	11,951	-	-	-	-	-	-	11,951	-	11,951
Issuance of shares under initial public offering, net of issuance expenses	2,396	3,146,587	-	-	-	-	-	3,148,983	-	3,148,983
<b>Balance at 31 December 2013</b>	14,347	3,146,587	1,851,910	265,496	-	680	7,521,991	12,801,011	476,111	13,277,122

The notes on pages 34 to 52 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 — unaudited  
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company									
	Note	Share capital	Share premium	Capital reserve	PRC statutory reserves	Exchange reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000 (Note 18(b))	RMB'000	RMB'000 (Note 18(c)(i))	RMB'000 (Note 18(c)(ii))	RMB'000 (Note 18(c)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2014</b>		14,347	3,146,587	1,851,910	265,496	680	7,521,991	12,801,011	476,111	13,277,122
<b>Changes in equity for the six months ended 30 June 2014:</b>										
Profit for the period		-	-	-	-	-	1,165,678	1,165,678	62,931	1,228,609
Other comprehensive income	8	-	-	(18,790)	-	25,124	-	6,334	-	6,334
<b>Total comprehensive income</b>		-	-	(18,790)	-	25,124	1,165,678	1,172,012	62,931	1,234,943
Appropriation to reserves	18(c)(ii)	-	-	-	40,280	-	(40,280)	-	-	-
Dividends approved in respect of the previous year		-	-	-	-	-	(356,528)	(356,528)	-	(356,528)
Profit distribution to non-controlling interests		-	-	-	-	-	-	-	(90,303)	(90,303)
<b>Balance at 30 June 2014</b>		14,347	3,146,587	1,833,120	305,776	25,804	8,290,861	13,616,495	448,739	14,065,234

The notes on pages 34 to 52 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014 — unaudited  
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Net cash generated from operating activities</b>	<b>204,703</b>	150,318
<b>Net cash used in investing activities</b>	<b>(871,748)</b>	(140,129)
<b>Net cash used in financing activities</b>	<b>(739,867)</b>	(39,864)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,406,912)</b>	(29,675)
<b>Cash and cash equivalents at 1 January</b>	<b>3,698,141</b>	276,388
<b>Effect of foreign exchange rate changes</b>	<b>14,190</b>	—
<b>Cash and cash equivalents at 30 June</b>	<b>2,305,419</b>	246,713

The notes on pages 34 to 52 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 1 BASIS OF PREPARATION

The interim financial report of China Conch Venture Holdings 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 25 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual consolidated 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 interim financial report is 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 27 March 2014.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 CHANGE 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*
- IFRIC 21, *Levies*

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

#### **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 Group 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 amendments do not have an impact on the Group's interim financial report as the Group didn't have any impaired non-financial asset or CGU.

#### **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.

### 3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. 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 resources allocation and performance assessment, the Group has presented the following reportable segments.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 3 SEGMENT REPORTING *(Continued)*

The measure used for reporting segment profit is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the periods ended 30 June 2014 and 2013 is set out below:

	Six months ended 30 June 2014 (Unaudited)				
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	Investments RMB'000	Green building materials RMB'000	Total RMB'000
Reportable segment revenue	663,820	73,421	-	-	737,241
Reportable segment profit before tax	184,668	22,335	1,072,134	(13,837)	1,265,300
Interest income	39,082	181	-	8,092	47,355
Interest expenses	11,011	5,165	-	19,102	35,278
Depreciation and amortisation	7,299	19,279	-	255	26,833
Provision for impairment losses	4,028	-	-	-	4,028
Reportable segment assets	3,859,730	671,816	10,852,778	1,071,415	16,455,739
Reportable segment liabilities	1,444,697	410,936	-	534,872	2,390,505

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 3 SEGMENT REPORTING (Continued)

	Six months ended 30 June 2013			
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	Investments in construction material companies and other investments RMB'000	Total RMB'000
Reportable segment revenue	592,994	63,714	–	656,708
Reportable segment profit before tax	147,655	22,649	547,411	717,715
Interest income	5,742	157	–	5,899
Interest expenses	1,689	7,939	–	9,628
Depreciation and amortisation	7,417	15,543	–	22,960
Provision for impairment losses	7,840	158	–	7,998

	Year ended 31 December 2013					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	Investments RMB'000	Green building materials RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment assets	2,087,338	671,816	9,806,938	320,364	3,090,213	15,976,669
Reportable segment liabilities	1,261,537	410,936	–	1,027,074	–	2,699,547

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 3 SEGMENT REPORTING *(Continued)*

#### (i) 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, interest in an associate and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of lease prepayments, property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in an associate.

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Revenue</b>		
Mainland China	<b>613,466</b>	528,756
Brazil	<b>202</b>	–
Thailand	<b>1,203</b>	26,414
Japan	<b>527</b>	6,089
Vietnam	<b>59,515</b>	62,369
Indonesia	<b>50,124</b>	33,080
Myanmar	<b>12,204</b>	–
	<b>737,241</b>	656,708

The specified non-current assets are all located in Mainland China in the period.

### 4 OTHER REVENUE

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest income	<b>47,355</b>	5,899
Government grants	<b>13,582</b>	1,401
	<b>60,937</b>	7,300



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 5 OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net loss on disposal of property, plant and equipment	(81)	–
Exchange (loss)/gain	(10,934)	324
	<b>(11,015)</b>	324

### 6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>(a) Finance costs:</b>		
Interest on loans and borrowings	35,757	9,628
Less: interest expense capitalised into construction in progress	(479)	–
	<b>35,278</b>	9,628
<b>(b) Other items:</b>		
Depreciation	25,167	21,289
Amortisation of lease prepayments	1,478	1,225
Amortisation of intangible assets	188	446
Research and development costs	11,020	5,027
Impairment losses on trade receivables	4,028	7,988
Staff costs	27,840	31,296

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Expressed in Renminbi Yuan unless otherwise indicated)

**7 INCOME TAX**

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Current tax:</b>		
Provision for PRC income tax for the period	<b>37,613</b>	39,789
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	<b>(922)</b>	(3,354)
	<b>36,691</b>	36,435

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as this subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (iii) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC. A subsidiary obtained high technology enterprise certificate and is entitled to the preferential tax rate of 15% since 2008.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 8 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Share of changes of reserves of an associate, net of tax (i)	(18,790)	(147,275)
Change in fair value of Available-for-sale securities	–	80
Net deferred tax expenses	–	(20)
Exchange differences on translation of financial statements of overseas subsidiaries and the Company	25,124	–
Net movement during the period recognised in other comprehensive income	6,334	(147,215)

- (i) Share of changes of reserves of an associate represented the share of changes in fair value of available-for-sale equity securities of the associate.

### 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 RMB1,165,678,000 (six months ended 30 June 2013: RMB619,688,000) and the weighted average number of shares in issue during the six months ended 30 June 2014 of 1,804,750,000 (six months ended 30 June 2013: 1,500,000,000 shares).

#### (b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2014 and 2013.

### 10 PROPERTY, PLANT AND EQUIPMENT

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for plant and buildings. The aggregate carrying amount of such plant and buildings of the Group as at 30 June 2014 was approximately RMB347,307,955. The directors are of the opinion that the Group is entitled to legally occupy or use these plant and buildings.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 11 INTEREST IN AN ASSOCIATE

As at the date of this report, interest in an associate represented share of net assets of the associate, namely Anhui Conch Holdings Co., Ltd. ("Conch Holdings"). For the six months ended 30 June 2014, the Group recognised the share of profit of an associate in the amount of RMB1,072,134,000 in the consolidated statement of profit or loss.

### 12 INVENTORIES

	<b>At 30 June 2014 RMB'000</b>	<b>At 31 December 2013 RMB'000</b>
Raw materials	<b>78,651</b>	95,198
Work in progress	<b>36,169</b>	28,710
Finished goods	<b>52,265</b>	61,009
	<b>167,085</b>	184,917

No inventory provision was made as at 30 June 2014 (31 December 2013: Nil). The inventories as at 30 June 2014 and 31 December 2013 were stated at cost.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables	<b>632,768</b>	537,104
Gross amounts due from customers for construction contract work	<b>112,687</b>	74,803
Bills receivable	<b>89,188</b>	238,467
Less: allowance for doubtful debts	<b>(41,200)</b>	(37,172)
Trade and bills receivables	<b>793,443</b>	813,202
Deposits and prepayments	<b>87,073</b>	19,738
Other receivables	<b>40,727</b>	45,522
Amounts due from third parties	<b>921,243</b>	878,462
Amounts due from related parties (Note 20(c))	<b>169,986</b>	151,181
	<b>1,091,229</b>	1,029,643
Non-current portion of gross amounts due from customers for construction contract work	<b>126,704</b>	198,173
Total current and non-current trade and other receivables	<b>1,217,933</b>	1,227,816

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 TRADE AND OTHER RECEIVABLES *(Continued)*

As of the end of the Reporting Period, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	<b>At 30 June 2014 RMB'000</b>	<b>At 31 December 2013 RMB'000</b>
Within 1 year	<b>707,476</b>	727,954
After 1 year but within 2 years	<b>77,295</b>	72,032
After 2 years but within 3 years	<b>4,045</b>	7,869
After 3 years but within 5 years	<b>4,627</b>	5,347
	<b>793,443</b>	813,202

Except for the non-current portion of gross amounts due from customers for construction contract work, all of the trade and other receivables are expected to be recovered within one year.

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

### 14 FINANCE LEASE RECEIVABLE

At 30 June 2014, the Group had finance lease receivable as follows:

	<b>Present value of the minimum lease receipts RMB'000</b>	<b>Total minimum lease receipts RMB'000</b>
Within 1 year	14,461	16,200
After 1 year but within 2 years	12,909	16,200
After 2 years but within 5 years	30,992	48,600
After 5 years	1,366	2,700
	<b>59,728</b>	<b>83,700</b>
Less: total future interest income		(23,972)
Present value of lease receivable		59,728

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 15 CASH AND CASH EQUIVALENTS

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
Cash in hand	<b>1</b>	1
Cash at bank	<b>2,305,418</b>	3,698,140
	<b>2,305,419</b>	3,698,141

### 16 LOANS AND BORROWINGS

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
<b>Within one year</b>		
Bank loans	<b>328,804</b>	484,804
<b>After one year but within two years</b>		
Bank loans	<b>690,000</b>	904,000
<b>After two year but within five years</b>		
Bank loans	<b>50,000</b>	200,000
Subtotal	<b>740,000</b>	1,104,000
Total	<b>1,068,804</b>	1,588,804

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Expressed in Renminbi Yuan unless otherwise indicated)

**17 TRADE AND OTHER PAYABLES**

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
Trade payables	<b>473,220</b>	491,427
Bills payable	<b>166,612</b>	95,448
	<b>639,832</b>	586,875
Receipts in advance	<b>47,178</b>	35,896
Other payables and accruals	<b>126,206</b>	174,039
Amounts due to third parties	<b>813,216</b>	796,810
Dividends payable (Note 18(a))	<b>263,392</b>	–
Amounts due to related parties (Note 20(c))	<b>236,307</b>	305,670
Trade and other payables	<b>1,312,915</b>	1,102,480

All of the trade and bills payables are expected to be settled within one year.

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

**18 CAPITAL, RESERVES AND DIVIDENDS****(a) Dividends**

Dividend payable to equity shareholders attributable to the previous financial year, approved during the interim period:

	<b>Six months ended 30 June 2014 RMB'000</b>	2013 RMB'000
Final dividend in respect of the previous financial year, approved during the interim period, of HKD0.25 per share (six months ended 30 June 2013: Nil)	<b>356,528,000</b>	–



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

#### (a) Dividends *(Continued)*

Pursuant to a resolution passed at the annual general meeting on 21 May 2014, a final dividend of HKD0.25 per share totalling HKD451,188,000 (equivalent to approximately RMB356,528,000) was approved (2013: Nil), among which HKD119,362,000 (equivalent to RMB93,136,000) was subsequently paid (2013: Nil).

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).

#### (b) Share capital

##### Authorised and issued share capital

	No. of shares '000	Amount HKD'000
<b>Authorised:</b>		
Ordinary shares of HKD0.01 each at 30 June 2014 and 31 December 2013	15,000,000	150,000
		<b>Amount</b>
	<b>No. of shares '000</b>	<b>Equivalent to RMB'000</b>
	HKD'000	RMB'000
<b>Issued and fully paid:</b>		
At 30 June 2014 and 31 December 2013	1,804,750	14,347

#### (c) Nature and purpose of reserves

##### (i) Capital reserve

Capital reserves as at 31 December 2013 and 30 June 2014 represent the share of non-distributable reserves of an associate at the respective dates.

##### (ii) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, PRC statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

#### (c) Nature and purpose of reserves *(Continued)*

##### (iii) Exchange reserve

Exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of operations outside mainland China.

### 19 COMMITMENTS

(a) As at 30 June 2014 outstanding purchase commitments of the Group were as follows:

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
Authorised and contracted for	<b>224,682</b>	69,863
Authorised but not contracted for	<b>590,995</b>	163,142
	<b>815,677</b>	233,005

(b) As at 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
Within 1 year	<b>2,787</b>	2,603
After 1 year but within 2 years	-	1,224
	<b>2,787</b>	3,827

The Group leases a number of properties under operating leases in respect of offices. The leases typically run for a period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 MATERIAL RELATED PARTY TRANSACTIONS

#### (a) Significant related party transactions

During the period, transactions with the following parties are considered as related party transactions.

Name of party <sup>(i)</sup>	Relationship
Anhui Conch Venture Investment Co., Ltd. ("CV Investment") 安徽海螺創業投資有限責任公司	Fellow subsidiary and then equity holder
Kawasaki Heavy Industry Ltd. ("Kawasaki HI") 川崎重工業株式会社	Investor of CK Engineering and CK Equipment
Anhui Conch Cement Co., Ltd. ("Conch Cement") 安徽海螺水泥股份有限公司	(a) Some directors of Conch Cement are also directors and shareholders of the Company; (b) The employees (primarily middle and senior management) of Conch Cement are the beneficial owners of the Company; (c) Conch Cement was the largest customer of the Group
Shanghai Conch International Investment Development Co., Ltd. ("Conch IID Shanghai") 上海海螺國際投資發展有限公司	Subsidiary of CV Investment
Wuhu Conch Venture Property Management Co., Ltd. ("Conch Property Management") 蕪湖海螺物業管理有限公司	Subsidiary of CV Investment
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Anhui Conch IT 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 Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement and Kawasaki HI

<sup>(i)</sup> The English translation of the names is for reference only. The official names of these entities are in Chinese.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Sales of goods</b>		
Conch Cement	<b>331,903</b>	293,253
Kawasaki HI	<b>98</b>	1,781
CKEM	<b>2,518</b>	–
Conch Design Institute	<b>20,427</b>	–
	<b>354,946</b>	295,034
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Service rendered</b>		
Conch Cement	<b>40,807</b>	72,983
Kawasaki HI	<b>347</b>	–
Conch Design Institute	<b>760</b>	–
	<b>41,914</b>	72,983

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Significant related party transactions *(Continued)*

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Purchase of Goods</b>		
Conch Cement	<b>9,194</b>	2,337
Conch IT Engineering	<b>5,645</b>	2,410
Kawasaki HI	<b>2,082</b>	735
Conch IID Shanghai	<b>34,640</b>	28,715
CKEM	<b>1,413</b>	524
Conch Design Institute	<b>25</b>	–
	<b>52,999</b>	34,721
<b>Services received</b>		
Conch Design Institute	<b>5,287</b>	487
Conch IT Engineering	<b>720</b>	1,483
Conch IID Shanghai	<b>1,177</b>	2,535
CV Investment	<b>1,698</b>	1,660
Kawasaki HI	<b>444</b>	1,756
Conch Property Management	<b>740</b>	651
CKEM	<b>18</b>	36
Conch Holdings	<b>4</b>	–
	<b>10,088</b>	8,608

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Significant related party transactions *(Continued)*

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Unsecured loans borrowed from</b>		
CV Investment	–	80,000

#### (c) Balances with related parties

Balances with related parties at the end of each reporting period are as follows:

	At	At
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
<b>Amounts due from</b>		
Conch Cement	152,976	150,925
Conch Design Institute	14,578	–
CKEM	2,207	–
Conch IID Shanghai	225	256
	<b>169,986</b>	151,181

	At	At
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
<b>Amounts due to</b>		
Conch Cement	142,475	234,515
Kawasaki HI	67,904	3,682
Conch IID Shanghai	–	18,977
Conch IT Engineering	7,765	6,860
CKEM	15,067	28,947
Conch Design Institute	3,096	12,689
	<b>236,307</b>	305,670