2011 Annual Report

China National Materials Company Limited

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

(Stock Code: 01893)

Materials

Bring a Prosperous Life

CONTENTS

CORPORATE INFORMATION

As at 31 December 2011

DIRECTORS

Executive Directors

TAN Zhongming *(Chairman)*
LI Xinhua[1]

Non-executive Directors[2]

YU Shiliang *(Vice Chairman)*[3]
LIU Zhijiang
ZHANG Hai
TANG Baoqi

Independent Non-executive Directors

LEUNG Chong Shun
SHI Chungui
LU Zhengfei
WANG Shimin
ZHOU Zude

Supervisors

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

STRATEGY COMMITTEE[2]

TAN Zhongming *(Chairman)*
YU Shiliang
LIU Zhijiang
LI Xinhua
ZHOU Zude

AUDIT COMMITTEE

LU Zhengfei *(Chairman)*
WANG Shimin
LIU Zhijiang

REMUNERATION COMMITTEE

SHI Chungui *(Chairman)*
LEUNG Chong Shun
LU Zhengfei

NOMINATION COMMITTEE[4]

YU Shiliang *(Chairman)*
TAN Zhongming
LIU Zhijiang
LI Xinhua[1]

Notes:

1. Mr. LI Xinhua was appointed as the president of the Company and a member of the Nomination Committee on 4 January 2011. Please refer to the announcement of the Company dated 4 January 2011 for details.
2. Mr. Zhang Hai and Mr. Tang Baoqi were appointed as the non-executive Directors of the Company on 12 July 2011. Mr. CHEN Xiaozhou resigned as the non-executive Director and a member of the Strategy Committee with effect from 12 July 2011 due to job re-designation. Please refer to the announcements of the Company dated 20 May 2011 and 12 July 2011 for details.
3. Mr. YU Shiliang was appointed as the vice chairman of the Board on 20 May 2011 in substitution of Mr. LI Xinhua. Please refer to the announcement of the Company dated 20 May 2011 for details.
4. On 27 March 2012, the Nomination Committee re-elected its members, as a result of which, the committee is comprised of three members, namely Mr. TAN Zhongming, Mr. SHI Chungui and Mr. ZHOU Zude and chaired by Mr. TAN Zhongming.

SECRETARY TO THE BOARD

GU Chao

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

TAN Zhongming
YU Leung Fai *(HKICPA, AICPA)*

REGISTERED OFFICE AND PLACE OF BUSINESS

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035, the PRC

PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISORS

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

AUDITORS

Hong Kong auditor
SHINEWING (HK) CPA Limited

PRC auditor
ShineWing Certified Public Accountants Co., Ltd.

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

01893

COMPANY WEBSITE

http://www.sinoma-ltd.cn

INVESTOR CONTACT

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

CORPORATE PROFILE

China National Materials Company Limited is a joint stock company approved by the State-owned Assets Supervision and Administration Commission of the State Council and established jointly by China National Materials Group Corporation Ltd. and other promoters. The Company was incorporated on 31 July 2007 and was listed on the Main Board of the Hong Kong Stock Exchange on 20 December 2007.

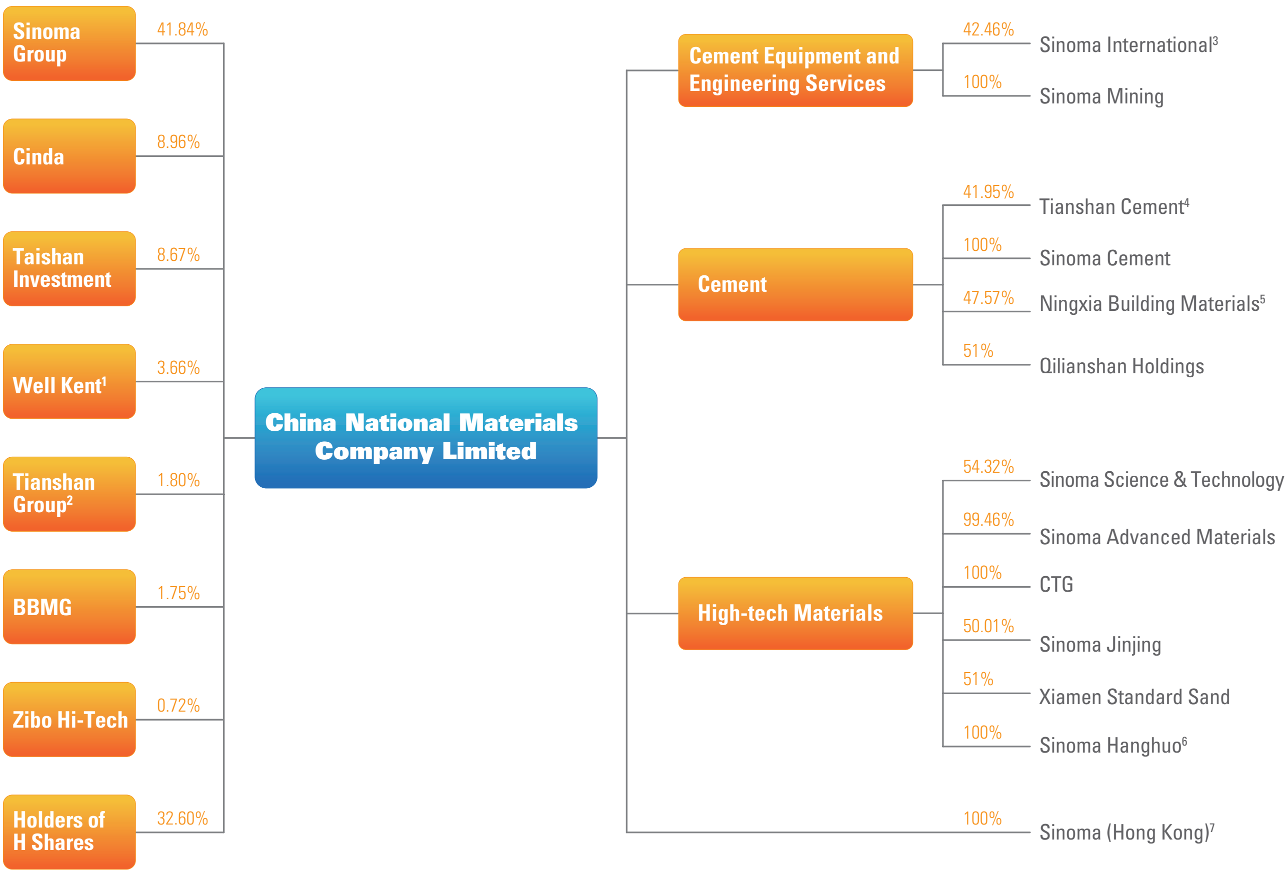
The Company is mainly engaged in cement equipment and engineering services, cement and high-tech materials businesses. The Company possesses series of core technologies such as glass fiber, composite materials, synthetic crystals, advanced ceramics and new dry process cement technology, with pioneering research and development capabilities, strong implementation capability for commercialisation of innovative technologies, successful mergers and acquisitions experience and unique business model.

The Company is the largest provider of cement equipment and engineering services globally and is a leading producer of non-metal materials in the PRC. The Company is the only enterprise in the non-metal materials industry in the PRC with a business model that integrates research and development, industrial design, equipment manufacturing, engineering and construction services and production.

The Company is committed to maintaining sustainable development for the long term and continuously creates value for all our stakeholders including Shareholders, customers, employees and the society. The Company upholds our positioning as an innovative, international and value-added enterprise. We strive to become the leading provider of technology, core equipment and engineering and system integration services in the global cement engineering industry and to become a prominent developer and provider of non-metal materials and related products globally.

CORPORATE STRUCTURE

As at 31 December 2011



Notes:

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

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

3. Sinoma Shangrao and Sinoma Environmental, the former first-tier subsidiaries of the Company, completed the change in registration with relevant administration authorities for industry and commerce on 5 December 2011 and 7 December 2011 respectively and became subsidiaries of Sinoma International.

4. Upon the completion of the public offer and listing of additional A shares by Tianshan Cement on 3 February 2012, the equity interest held by the Company declined to 35.39% from 41.95%.

5. Saima Industry, a former second-tier subsidiary of the Company, completed the absorption and merger of Ningxia Building Materials Group Company Limited (a first-tier wholly-owned subsidiary of the Company) by way of issue of its new shares on 26 December 2011. Subsequent to the absorption merger, Ningxia Building Materials Group Company Limited was deregistered and Saima Industry will continue to exist with its name changed to Ningxia Building Materials Group Co., Limited.

6. Sinoma Hanghuo completed the deregistration on 16 February 2012.

7. Sinoma (Hong Kong) completed the registration with the Companies Registry of Hong Kong and became a wholly-owned subsidiary of the Company on 9 December 2011.

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

FINANCIAL SUMMARY

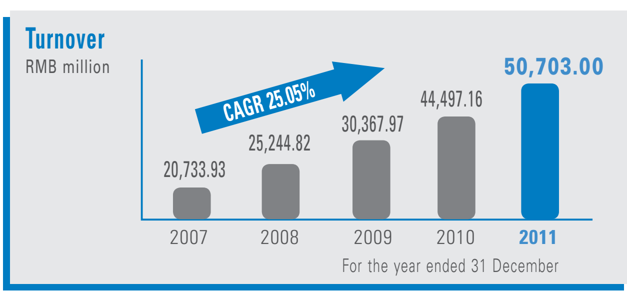
	For the year ended 31 December				
	2011 RMB million	2010 RMB million *(Restated)* [2]	2009 RMB million	2008 RMB million	2007 RMB million *(Restated)* [1]
Turnover	**50,703.00**	44,497.16	30,367.97	25,244.82	20,733.93
Profit for the year	**3,962.49**	3,409.72	1,997.52	1,520.34	1,165.15
Profit for the year attributable to owners of the Company	**1,460.57**	1,099.98	719.50	564.55	486.64
Earnings per Share – Basic (RMB)	**0.41**	0.31	0.20	0.16	0.20

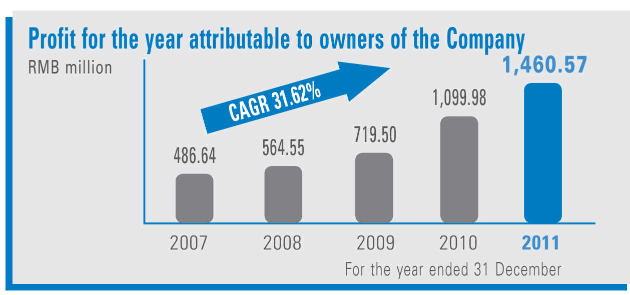
	As at 31 December				
	2011 RMB million	2010 RMB million *(Restated)* [2]	2009 RMB million	2008 RMB million	2007 RMB million *(Restated)* [1]
Total assets	**79,559.74**	67,204.60	49,760.24	44,645.08	31,671.60
Total liabilities	**55,929.82**	46,551.92	35,795.19	32,429.35	21,590.36
Equity attributable to owners of the Company	**10,824.87**	9,788.04	8,264.06	6,793.63	6,106.76
Equity per Share (RMB)	**3.03**	2.74	2.31	1.90	1.78

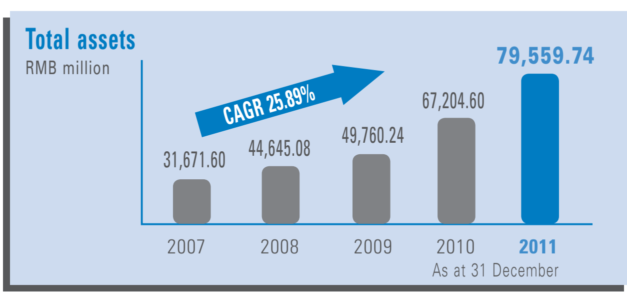
Note:

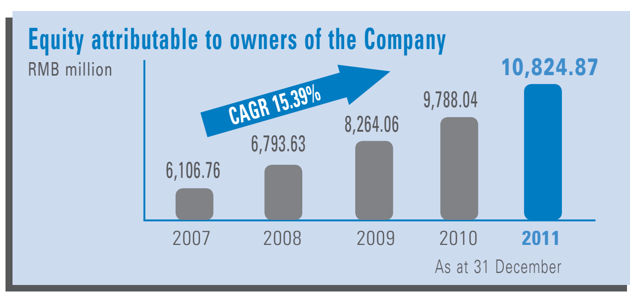
1. The reason for restating the figures for 2007 is that the acquisitions of Ningxia Building Materials Group Company Limited and China Building Materials Industrial Corporation Xi'an Engineering Co., Ltd., the enterprises under common control, were completed within the year of 2008.

2. The reason for restating the figures for 2010 is that the acquisitions of Sinoma Equipment Maintenance (Shangrao) Co., Ltd., Sinoma Slipform Leasing (Shangrao) Co., Ltd., Suzhou Concrete Cement Products Research & Design Institute Co., Ltd. and Shandong Research & Design Institute of Industrial Ceramics Co., Ltd., the enterprises under common control, were completed during the reporting period.









CAGR: Compound Annual Growth Rate

Cement Equipment and Engineering Services

	2011	2010	Change(%)
Amount of new order intakes (RMB million)	**38,354**	26,082	47.05
Amount of backlog (RMB million)	**58,393**	49,211	18.66

Cement

	2011	2010	Change(%)
Sales volume of cement ('000 tonnes)	**49,085**	36,071	36.08
Sales volume of clinker ('000 tonnes)	**8,847**	10,003	(11.56)

High-tech Materials

	2011	2010	Change(%)
Sales volume of glass fiber and glass fiber products ('000 tonnes)	**445**	408	9.07
Sales volume of fan blades for wind power generators (set)	**1,383**	1,504	(8.05)
Sales volume of solar-energy fused silica crucibles (unit)	**61,520**	42,322	45.36
Sales volume of CNG cylinders (unit)	**139,936**	86,237	62.27

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual report and results of the Company for 2011, and to report to you on the development focus of the Company for 2012.

In 2011, the global economic growth was slow, while the sovereign debt crisis in the developed economies kept spreading, leading to further intensified downside risks in economy. Given the decline in the growth of international trade and the extreme volatility in the international financial markets, concerns over the prospect of economic growth aggravated. Slowdown of China's economic growth and greater inflation pressure have thrown the enterprises into a very difficult situation with increases in prices of raw materials, fuel and labor cost and shortage in capital. Facing the complex and changeful international economic circumstances as well as the new condition and changes in domestic economic operation, the Company continued to deepen internal reform and optimize industrial structure and layout to expand business scale, extend industrial chain, strengthen management and innovation and enhance cost control, delivering good operating results. During the reporting period, turnover of the Group was RMB50,703.00 million, representing a year-on-year increase of 13.95%. Profit for the year was RMB3,962.49 million, representing a year-on-year increase of 16.21%. Profit for the year attributable to owners of the Company was RMB1,460.57 million, representing a year-on-year increase of 32.78%. Earnings per share of the Company was RMB0.41.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

While consolidating the traditional market, the cement equipment and engineering services segment actively explored the emerging markets, enhanced its competitiveness for domestic EPC projects and diversified into related industries. The amount of new order intakes during the reporting period hit a new record high of RMB38.4 billion, representing a year-on-year increase of 47%, with its market share ranking No. 1 around the world for four consecutive years. As at 31 December 2011, the amount of backlog of the segment was RMB58.4 billion, further expanding its leading advantage.

CEMENT

For the cement segment, we adhered to the regional leader strategy and continued to promote its strategy on expansion of cement business in Western China. By seizing the opportunities on the Chinese government's policy of supporting the development of Xinjiang region, the Company accelerated the expansion of its production capacity. As at the end of 2011, the total cement production capacity of the Company reached 87 million tonnes, among which 59 million tonnes was attributable to Northwest China. While expanding production capacity, the Company also strengthened the industrial chain extension, the production capacity of commercial concrete reaching 18.25 million cubic meters. Despite being dedicated to development in this segment, the Company also fulfilled corporate social responsibility, and stepped up efforts in energy conservation and emission reduction. During the reporting period, the Company's generation capacity from waste heat of cement clinker production line amounted to 914.6794 million Kwh, while 820,900 tonnes of carbon dioxide emission was reduced. Meanwhile, the Company strengthened internal optimization management, enhanced operation efficiency and improved core competitiveness, maintaining good profitability under severe competition. The turnover and results of the Company's cement segment increased by 39.45% and 45.68% on a year-on-year basis, respectively.

HIGH-TECH MATERIALS

During the reporting period, facing the complicated economic situation domestically and overseas, our high-tech materials segment took appropriate measures to cope with various challenges, including decline in market demand due to the European debt crisis, heightened trade frictions, restricted export as well as rising production cost, tight monetary policies and intensified competition in the domestic market. Adhering to the innovation-driven strategy, the segment continuously reinforced its core competitive advantage by further expanding its industrial scale and adjusting and optimizing its industrial structure.

During the reporting period, in face of grim market condition, the wind power blades segment actively strengthened internal management, implemented strict cost control and focused on innovation, so as to maintain its technological edge in China. The Company commenced bulk production of 2MW and 3MW blades, of which certain types have been successfully exported to the United States of America and Canada. The glass fiber segment actively adjusted product mix and marketing strategy according to the market condition, achieving a sales volume of 445,000 tonnes for grass fiber and related products during the reporting period, representing a year-on-year increase of 9.07%. The CNG cylinders business seized market opportunities to actively expand production capacity. As at the end of 2011, the production capacity of CNG cylinders reached 180,000 units, with a sales volume of 140,000 units during the reporting period, representing a year-on-year increase of 62.27%. The Company further improved the industrial chain of fused silica ceramic from mineral exploration to fine processing of raw materials to production of finished products. The production line with an annual capacity of 60,000 fused silica ceramic rolls has been completed and put into operation. The construction of the production lines for solar-energy fused silica crucibles located at Donghai, Jiangsu Province and Chengdu, Sichuan Province proceeded smoothly, gradually setting up four fused silica ceramic production bases in Shandong, Jiangsu, Jiangxi and Sichuan.

PROSPECTS

The path to global economic recovery remains challenging in 2012. Under the keynote of "making progress while ensuring stability", the Chinese economy will maintain steady and rapid development with positive fiscal policy and sound monetary policy. China will aggressively push forward reform and structural adjustment, facilitate transition of economic development pattern and focus on addressing the unbalanced, uncoordinated and unsustainable contradictions in the economic development. While consolidating our three major businesses, the Company will diversify into related industries and strategic emerging industries. The Company will aggressively adjust industrial structure, improve product quality, optimize resource allocation, reinforce innovation capability and actively exploit new markets, so as to expand industrial scale and improve quality and profitability.

In 2012, the cement equipment and engineering services segment will further emphasize the overall planning of international market development, actively exploring diversified business models targeted at different features of various nations. While consolidating the traditional markets, the segment will step up efforts to tap into the emerging markets like India, Russia and South America, with an aim to enhance international competition advantages. The segment will further step up exploitation of EPC market of related engineering projects in non-cement industries, while further strengthening R&D in the new technologies and new products for energy saving and environmental protection and the technologies for other new industries so as to provide technological support for the expansion in the new industries. Efforts will be made to enhance the scale and contribution of new businesses such as PV technology engineering and disposal of urban garbage in cement kilns, and increase the share of revenue from post-sale services for spare parts and components. The segment will enhance the equipment self-sufficient rate by further strengthening the coordination between engineering services and equipment manufacturing. Efforts will be stepped up to develop and enhance its mining service business and actively diversify into related industries such as metallurgy, nonferrous metal and chemical industry. The amount of new order intakes is aimed to exceed RMB40 billion for the coming year.

The cement segment will continue to adhere to the regional leader strategy. By seizing on the favorable opportunities brought by the state policies of supporting the development of Western China and Xinjiang region, the segment will accelerate strategic layout, actively promote acquisition and reorganization to expand market share and enhance regional control. Meanwhile, the segment will strengthen its internal management, enhance its overall operational efficiency, improve key operational indicators, reduce costs and explore new markets to ensure the profitability of the Group in a competitive market. It is expected that the cement production capacity under control of the Company will exceed 100 million tonnes by the end of 2012. Meanwhile, the segment will accelerate the development of commodity concrete business and related industries, and strive to achieve commodity concrete production capacity of over 30 million cubic meters by the end of 2012.

The high-tech materials segment will grasp the favorable opportunities brought by the state policies on development of strategic emerging industries and leverage on its technology advantages, to increase the investment in R&D to enhance innovation capability and accelerate development of new products. While expanding production capability of its dominant products, the segment will aggressively explore markets to build up brand awareness and enhance core competitiveness. The segment will adjust its product mix and market position, so as to achieve a transition to the high-end development. The segment will actively carry out the internationalization strategy of wind power blades and speed up the development and upgrading of new products to achieve an extensive scale for its products. The glass fiber business will continue to adjust its product mix and market position, as well as to reinforce its technology and product quality. For solar-energy fused silica crucibles segment, while improving the overall arrangement of production bases, it will optimize production procedure and reduce costs, fully exert its production capacity and actively explore domestic and overseas markets. The CNG cylinders business will grasp the market opportunity to rapidly expand its production scale and actively explore the high-end market to increase its market share. The Company will keep on expanding the production capacity of other advanced composite materials, actively exploring new markets and fostering new growth drivers.

I, on behalf of the Board, would like to take this opportunity to express my heartfelt gratitude to all the shareholders, investors and customers for your long-term attention and support to the Company and also thank the management and all staff of the Company for their dedication and hard work for the Company's rapid development.

TAN Zhongming
Chairman of the Board

27 March 2012

BUSINESS REVIEW

Overview

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

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Industry Review

During the reporting period, given the political instability in Middle East and North Africa, the European sovereign debt crises kept escalating and the decelerating growth of economic development of emerging economies, the global economy recovered slowly with dramatic volatility in the international financial market, fluctuation of commodity prices at high level and high global inflation pressure. The tendency for trade protectionism is increasingly obvious, and the international competition intensified on areas such as market, resources and industries. Although the overseas cement construction market appeared to pick up, the pace of kicking-off of projects remained slow.

Being affected by the State's macro control over the cement industry, the numbers of newly launched cement production lines in China decreased year by year, the investment amount in fixed assets of the cement industry recorded a year-on-year decrease of 8.3% in 2011. However, with the support of the State's policy on Western Development, the demand for newly-added production capacity was relatively high in some regions such as Xinjiang and Gansu.

Business Review

Arranging International Market Layout and Enhancing Domestic Market Strength

During the reporting period, the Company made arrangement to explore overseas market, and the amount of overseas new order intakes exceeded RMB18.4 billion, with its market share ranking No. 1 around the world for four consecutive years. In response to conditions of the structural adjustment of the domestic cement industry and leveraging on its advantage and specialty, the Company pushed forward business expansion in the EP and EPC models, so that the amount of domestic order intakes was RMB19.9 billion, recorded significant increase for the year, representing a year-on-year increase of 80%. As at 31 December 2011, the amount of backlog of the segment amounted to RMB58.4 billion, further expanding its leading advantage in market share.

Strengthening Contract Performance Capability to Further Increase Satisfaction of Owners

The Company always attaches great emphasis to strengthening contract performance capability and enhancing service quality and standard, and has achieved remarkable results. During the reporting period, the Company adopted various measures to overcome difficulties such as complex implementation environment and certain shortage of resources to ensure the overall smooth progress of engineering projects. During the reporting period, FAC or PAC certificates are granted for 21 EPC projects. Of which, the RCC project was awarded the Outstanding Sino-invested Project in Saudi Arabian Market in 2011; the Iraq SCP line II which was completed and put into production ahead of schedule received bonus from owners; and the 5000t/d cement production line for Liaoning Jiaotong Cement was awarded Silver Prize of "2011 National Quality Project Awards".

Reinforcing Implementation of Technology-driven Strategy to Further Enhance Core Competitiveness

In light of the state's industrial policy and development trend, the Company implemented technology-driven strategy to step up efforts in technological innovation and increase investment in R&D. The Company has successfully completed several state-backed projects such as cement equipment projects and passed the acceptance inspection.

The "Research into the Technologies and Equipment for the Treatment of Urban Household Garbage in Cement Furnaces" under the technological plans supported by the State that was undertaken by the Company has passed the acceptance inspection. The "Design Guidelines for Energy Saving of Cement Factory" was awarded second prize of "China Standard Innovation Contribution Award". The LJP bag filter self-developed by the Company was recognized as the National Key Environmental Protection Practical Technology in 2011, its dust filtration efficiency has reached international leading standard. The "Large Scale Energy-saving Grinding Technology Equipment" was awarded "National Demonstration Unit of Excellent Energy-saving Technology". The implementation of technology-driven strategy has further enhanced the Company's core competitiveness.

Accelerating Exploration into New Business Segments and Further Deepening Diversification Strategy

Leveraging on the Company's strong R&D capability and developments in the business models, and under the strategy of diversifying into related industries, the Company actively accelerated exploration into new business segments while maintaining excellent development in the cement equipment and engineering services segment. The urban sludge treatment project in Liyang Jiangsu Province had commenced operation in July 2011, with a treatment capacity of 120 tonnes per day. The investment project for treatment of urban garbage in Liyang progressed smoothly, the equipments have been installed and were undergoing testing, which is expected to be put into trial operation in the end of March 2012. The project has been listed as Sino-Norway joint demonstration projects of co-processing in cement kiln by the Ministry of Environment Protection. Sinoma International and Sinoma Xiangtan has jointly completed the denitration project in the new dry process cement production line, whereby Sinoma Xiangtan became the first cement company with denitration project in operation in China. The proportion of overseas production line operation management business was increasing. During the reporting period, the Company has signed production line operation management contracts in Egypt, Nigeria, Kazakhstan and Belarus with a total contract amount of nearly RMB400 million.

The Company aggressively promoted the expansion into engineering contracting business of non-cement area. The construction and installation of the first PV engineering EPC project has been practically completed, which is expected to commence on-grid electricity generation in May 2012. Furthermore, the Company has signed several letters of intent for cooperation, laying a solid foundation for the development of such business in 2012.

CEMENT

Industry Review

In 2011, benefiting from the relatively fast and steady growth of macro economy in China, the cement industry also maintained a sound growth. The annual production volume of cement amounted to 2,085 million tonnes, representing a year-on-year increase of 11.7%. However, as the commodity prices kept rising during most time of the year and the prices of raw materials and fuel fluctuated at high levels, the procurement expenditures and labor cost of cement industry spiraled up, leading to greater cost pressure.

Being affected by the raising of deposit reserve ratio and interest rate by the central bank, the industry faced greater capital stress and rapidly increasing financial cost. In the second half of the year, the demand of cement industry slowed down as compared with that of last year due to the slowdown in the infrastructure construction such as railways and highways. The cement price rose before declining, but the national average cement price remained at relatively high level.

In 2011, the government continued its industrial structure adjusting policy towards the cement industry to phase out backward production capacities and effectively control newly-added production capacities by way of promoting mergers and reorganization, in order to further improve energy saving and emission reduction. The newly-added production capacities of the cement industry for the whole year slowed down, but the imbalance between supply and demand in some regions only mitigated modestly. The whole industry will face greater environmental protection and emission reduction pressure.

Business Review

Improving Operating Results Benefiting from Outstanding Strategic Layout

During the reporting period, with stable demand in the Company's major regional markets, our production capacity was brought into full play. Meanwhile, price rises in Xinjiang, Eastern China and Central China as compared with 2010 resulted in significantly higher profitability. The results for 2011 of the cement segment continued to increase with the aggregate sales volume of cement and clinkers reaching 57.932 million tonnes, representing a year-on-year increase of 25.74%. The turnover amounted to RMB20,241.31 million, representing a year-on-year increase of 39.45%, and the segment results recorded a year-on-year increase of 45.68%.

Speeding Up Project Construction and Extending Industrial Chain for Better Industrial Layout

The Company sped up expansion of production capacity in its prime regions. The cement production capacity in Northwest China reached 59 million tonnes, further consolidating its market share in this region. The Company proactively extended its industrial chains for the cement segment based on its strengthened principal cement development. While taking efforts in exploring commercial concrete business, the Company extended to aggregate and other sectors. To uplift the technology level and competitiveness of its commercial concrete business, the Company acquired Suzhou Concrete Cement Products Research & Design Institute Co., Ltd., the only concrete cement products scientific research institute of the industry. At the end of 2011, the commercial concrete production capacity of the Company reached 18.25 million cubic meters.

Optimising the Organizational Structure and Expanding Financing Channels to Enhance the Company's Development Potential

During the reporting period, the absorption merger of Ningxia Building Materials Group Company Limited by Saima Industry was completed, which in turn reduced the management levels and increased the Company's shareholding in Ningxia Building Materials. The public offer of Tianshan Cement and the placement of Qilianshan Co. have been approved by CSRC. The public offer of Tianshan Cement was completed in February 2012. Qilianshan Co., Sinoma Cement and Tianshan Cement have issued medium-term notes or short-term financing bills with an aggregate amount of RMB2.8 billion, further enhancing the development potential of the Company.

Fulfilling Social Responsibilities and Developing the recycling Economy

The Company insisted on fulfilling social responsibilities and proactively promoted energy saving and emission reduction to facilitate environmental improvement and enhance economic efficiency. During the reporting period, an additional installed capacity of waste heat generators of 26MW was established. 12 waste heat generation projects were under construction with a designed capacity of 84MW. As at the end of 2011, with 83% of the compatible cement production lines with a capacity of over 1,500t/d already equipped with waste-heat generators, the accumulated installed capacity of the waste heat generation of cement production lines of the Company was 201.5MW with an annual accumulated power generation of 914.6794 million Kwh, thereby reducing the emission of 820,900 tonnes of carbon dioxide. After the two clinker production lines with a capacity of 2,500 t/d by utilising carbide slag to replace limestone in Fukang, Xinjiang were put into operation, it is estimated that the annual consumption of the industrial wastes such as carbide slag by these five cement production lines by utilization of carbide slag will be 3.10 million tonnes. When compared to cement production by utilisation of limestone, the annual carbon dioxide emission would be reduced by 2.60 million tonnes.

Enhancing Internal Management and Continuingly Improving Operational Indicators

During the reporting period, the segment continued to enhance its internal management and adopted a number of measures to reduce production costs and improve the operation efficiency. By reinforcing internal benchmark comparison management and improving the production management and the technological transformation, the major operational indicators of this segment saw improvement with the decline in consumption indicators as compared with the corresponding period of last year. The standard consumption of coal for each ton of clinker declined by 1.25 kilograms on a year-on-year basis. The Company's competitiveness was further enhanced, which facilitated a further increase in profitability.

HIGH-TECH MATERIALS

Industry Review

During the reporting period, the global economic recovery has significantly slowed down. In face of challenges such as the European sovereign debt crises and overcapacity, the competition in the high-tech material industry was intensified, resulting in slow-down in the development of the industry. The global glass fiber market was unstable in 2011. The market gradually pick up in the first half of the year, but began to shrink from the third quarter as the impact of the European sovereign debt crises kept unfolding and domestic macroeconomic control and monetary policy measures were strengthened. As wind power industry was affected by the off-grid accident in the first half of the year, the construction of wind fields slackened and the delivery of wind power blades orders was put off or cut down. Meanwhile, the price of wind power blades further declined owing to the severe competition among wind power OEMs. Driven by clean energy policies both domestically and overseas, the market demand of the CNG cylinders increased and the production and sales volumes saw dramatic growth. On the other hand, the polysilicon industry witnessed a sharp drop in sales volumes and prices after the third quarter due to capacity expansion and shrinking demand from Europe and America, which led to further intensified industry competition.

Business Review

Stepping up industrial layout and extending industrial chains

During the reporting period, despite the shrinking demand and declining prices, the wind power blades segment remained profitable to certain extent. The Company also completed the setup of the production lines in Badaling Beijing, Baicheng Jilin and Jiuquan Gansu, and extended its industrial chains by building a blade mould production line with an annual capacity of 20 sets. The CNG cylinders segment accelerated capacity expansion, the production capacity at the end of 2011 reached 180,000 units. Meanwhile, the production line of CNG cylinders with an annual production capacity of 350,000 units commenced construction. The Company expedited the construction of the production bases for solar-energy fused silica crucibles and took great efforts to develop an industrial chain for silica ceramics from mineral exploration, fine processing to finished products, so as to gradually form four silica production bases in Shandong, Jiangsu, Jiangxi and Sichuan Provinces.

Strengthening management and reducing costs to improve competitive edge

During the reporting period, the Company improved production efficiency and lowered production costs by further strengthening budget management, production process management and benchmark comparison management as well as technology upgrading and raw materials domestication. The qualified rate of solar-energy fused silica crucibles increased by nearly 8 percentage points as compared with that of the previous year. Despite all the operating challenges, the wind power blades segment reinforced measures on cost management to maintain profitability.

Enhancing product quality and exploring international market

With long-term consistently quality services, the Company received recognition from customers for its super product quality, witnessing the steady enhancement of the brand value and market competitiveness. With the rapid expansion of sales channels, the Company achieved new breakthroughs in its entry into the international market. Some types of wind power blades has been exported to the U.S.A. and Canada successfully, while the exports of CNG cylinders boosted further as well. Membrane filter products, which was self-developed by the Company, had successfully passed the US EPA's Environmental Technology Verification Program. The ETV test result indicated that the membrane filter had high performance that reached the international advanced standards. Other advanced composite materials and advanced ceramic materials also gained general recognition in international markets and had stable and quality customer base.

FINANCIAL REVIEW

	Year ended 31 December 2011	Year ended 31 December 2010	Change	
	RMB million	*RMB million* *(Restated)*	*RMB million*	*%*
Turnover	**50,703.00**	44,497.16	6,205.84	13.95
Cost of sales	**(39,905.80)**	(35,605.38)	(4,300.42)	12.08
Gross profit	**10,797.20**	8,891.78	1,905.42	21.43
Other gains	**882.54**	935.60	(53.06)	(5.67)
Selling and marketing expenses	**(1,427.10)**	(1,137.23)	(289.87)	25.49
Administrative expenses	**(4,084.07)**	(3,617.47)	(466.60)	12.90
Exchange loss	**(55.75)**	(104.13)	48.38	(46.46)
Other expenses	**(84.08)**	(78.28)	(5.80)	7.41
Operating profit	**6,028.74**	4,890.26	1,138.48	23.28
Interest income	**161.71**	154.56	7.15	4.63
Finance costs	**(1,437.42)**	(923.74)	(513.68)	55.61
Share of results of associates	**129.74**	70.12	59.62	85.03
Profit before tax	**4,882.77**	4,191.20	691.57	16.50
Income tax expense	**(920.27)**	(781.48)	(138.79)	17.76
Profit for the year	**3,962.49**	3,409.72	552.77	16.21
Profit for the year attributable to:				
Owners of the Company	**1,460.57**	1,099.98	360.59	32.78
Non-controlling interests	**2,501.93**	2,309.74	192.19	8.32
Dividends	**214.29**	142.86		

Results Performance

During the reporting period, profit before tax of the Group was RMB4,882.77 million, representing a year-on-year increase of 16.50%. Profit for the year attributable to owners of the Company was RMB1,460.57 million, representing a year-on-year increase of 32.78%. Earnings per share of the Company was RMB0.41.

Consolidated Operating Results

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

Turnover

Turnover of the Group in 2011 was RMB50,703.00 million, representing an increase of 13.95% as compared with RMB44,497.16 million in 2010. The increase was mainly due to the significant increase in the sales volume of cement. In particular, turnover of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB1,462.52 million, RMB5,726.30 million and RMB493.97 million, respectively.

Cost of Sales

Cost of sales of the Group in 2011 was RMB39,905.80 million, representing an increase of 12.08% as compared with RMB35,605.38 million in 2010. The increase was mainly due to the increase in the sales volume of cement and high-tech materials products and the increase of volume of business of cement equipment and engineering services. In particular, cost of sales of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB912.51 million, RMB4,002.95 million and RMB578.88 million, respectively.

Gross Profit and Gross Margin

Gross profit of the Group in 2011 was RMB10,797.20 million, representing an increase of 21.43% as compared with RMB8,891.78 million in 2010. In particular, the gross profit of the cement equipment and engineering services segment and cement segment increased by RMB550.00 million and RMB1,723.36 million respectively, while the gross profit of the high-tech materials segment decreased by RMB84.92 million.

Gross margin of the Group in 2011 was 21.29%, representing an increase of 1.31 percentage points as compared with 19.98% in 2010. Gross margin of the cement equipment and engineering services segment and the cement segment increased while the gross margin of the high-tech materials segment declined.

Other Gains

Other gains of the Group in 2011 was RMB882.54 million, representing a decrease of 5.67% as compared with RMB935.60 million in 2010. The decrease was mainly due to the negative goodwill arising from the acquisition of a subsidiary for the previous year.

Selling and Marketing Expenses

Selling and marketing expenses of the Group in 2011 was RMB1,427.10 million, representing an increase of 25.49% as compared with RMB1,137.23 million in 2010. The increase was mainly due to the increase in sales which resulted in the increase in selling and marketing expenses. In particular, the selling and marketing expenses of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB40.13 million, RMB214.46 million and RMB35.28 million, respectively.

Administrative Expenses

Administrative expenses of the Group in 2011 was RMB4,084.07 million, representing an increase of 12.90% as compared with RMB3,617.47 million in 2010. The increase was mainly due to the increase in operational expenses as the new production lines commenced production, as well as the increase in expenses in research and development. In particular, the administrative expenses of the cement equipment and engineering services segment and the cement segment increased by RMB316.25 million and RMB402.59 million respectively, while the administrative expenses of the high-tech materials segment decreased by RMB241.06 million.

Exchange Loss

Exchange loss of the Group in 2011 was RMB55.75 million, representing a decrease of 46.46% as compared with RMB104.13 million in 2010. The decrease was mainly due to the decline in foreign currency denominated business and the decrease in the closing balance of foreign currency assets.

Other Expenses

Other expenses of the Group in 2011 were RMB84.08 million, representing an increase of 7.41% as compared with RMB78.28 million in 2010. The increase was mainly due to the loss from the changes in fair value of forward exchange contracts.

Operating Profit and Operating Profit Margin

Operating profit of the Group in 2011 was RMB6,028.74 million, representing an increase of 23.28% as compared with RMB4,890.26 million in 2010. In particular, the operating profit of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB162.44 million, RMB1,190.84 million and RMB126.30 million respectively.

Operating profit margin in 2011 was 11.89%, representing an increase of 0.90 percentage point as compared with 10.99% in 2010.

Interest Income

Interest income of the Group in 2011 was RMB161.71 million, representing an increase of 4.63% as compared with RMB154.56 million in 2010.

Finance Costs

Finance costs of the Group in 2011 was RMB1,437.42 million, representing an increase of 55.61% as compared with RMB923.74 million in 2010. The increase was mainly due to the expansion of the scale of borrowing and the rise in loan interest rate.

Share of Results of Associates

Share of results of associates of the Group in 2011 was RMB129.74 million, representing an increase of 85.03% as compared with RMB70.12 million in 2010. The increase was mainly due to the considerable increase in the profits of certain associates.

Income Tax Expense

Income tax expense of the Group in 2011 was RMB920.27 million, representing an increase of 17.76% as compared with RMB781.48 million in 2010, mainly due to the increase in the profit before tax.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests of the Group in 2011 was RMB2,501.93 million, representing an increase of 8.32% as compared with RMB2,309.74 million in 2010. The increase was mainly due to the lower growth in results of the subsidiaries of which the Company has relatively lower shareholdings.

Profit for the Year Attributable to Owners of the Company

Based on the above, profit for the year attributable to owners of the Company in 2011 was RMB1,460.57 million, representing an increase of 32.78% as compared with RMB1,099.98 million in 2010.

Segment Results

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

Cement Equipment and Engineering Services

	2011	2010	Change
	RMB million	*RMB million*	*%*
		(Restated)	
Turnover	**27,358.12**	25,895.61	5.65
Cost of sales	**23,397.92**	22,485.41	4.06
Gross Profit	**3,960.20**	3,410.20	16.13
Selling and marketing expenses	**191.76**	151.63	26.47
Administrative expenses	**1,708.50**	1,392.25	22.72
Segment results	**2,071.08**	1,908.64	8.51

Turnover

Turnover of the cement equipment and engineering services segment in 2011 was RMB27,358.12 million, representing an increase of 5.65% as compared with RMB25,895.61 million in 2010. The increase was mainly due to the increase in the contribution from businesses such as trading and the increase in volume of business in mining services while maintaining a basically stable performance in completion of constructions projects.

Cost of Sales

Cost of sales of the cement equipment and engineering services segment in 2011 was RMB23,397.92 million, representing an increase of 4.06% as compared with RMB22,485.41 million in 2010. The increase was mainly due to the increase in business volume, which in turn resulted in an increase in the costs.

Gross Profit and Gross Margin

Gross profit of the cement equipment and engineering services segment in 2011 was RMB3,960.20 million, representing an increase of 16.13% as compared with RMB3,410.20 million in 2010. Gross margin of the cement equipment and engineering services segment increased by 1.31 percentage point from 13.17% in 2010 to 14.48% in 2011. The increase was mainly due to the gross margin generated from overseas engineering projects and the increase in the gross margin of mining engineering projects.

Selling and Marketing Expenses

Selling and marketing expenses of the cement equipment and engineering services segment in 2011 was RMB191.76 million, representing an increase of 26.47% as compared with RMB151.63 million in 2010.

Administrative Expenses

Administrative expenses of the cement equipment and engineering services segment was RMB1,708.50 million in 2011, representing an increase of 22.72% as compared with RMB1,392.25 million in 2010. The increase was mainly due to the increase in expenses in research and development, as well as the increase in travelling expenses, business expenditure and labor cost etc.

Segment Results

Based on the above, results of the cement equipment and engineering services segment in 2011 was RMB2,071.08 million, representing an increase of 8.51% as compared with RMB1,908.64 million in 2010.

Cement

	2011	2010	Change
	RMB million	*RMB million*	*%*
		(Restated)	
Turnover	**20,241.31**	14,515.01	39.45
Cost of sales	**14,420.58**	10,417.63	38.42
Gross Profit	**5,820.73**	4,097.37	42.06
Selling and marketing expenses	**924.76**	710.30	30.19
Administrative expenses	**1,729.83**	1,327.24	30.33
Segment results	**3,797.80**	2,606.96	45.68

Turnover

Turnover of the cement segment in 2011 was RMB20,241.31 million, representing an increase of 39.45% as compared with RMB14,515.01 million in 2010. The increase was mainly due to the increase in sales volume and the rising average prices of the products.

Cost of Sales

Cost of sales of the cement segment in 2011 was RMB14,420.58 million, representing an increase of 38.42% as compared with RMB10,417.63 million in 2010. The increase was mainly due to increased sales volume.

Gross Profit and Gross Margin

Gross profit of the cement segment in 2011 was RMB5,820.73 million, representing an increase of 42.06% as compared with RMB4,097.37 million in 2010. Gross margin of the cement segment increased by 0.53 percentage point from 28.23% in 2010 to 28.76% in 2011.

Selling and Marketing Expenses

Selling and marketing expenses of the cement segment in 2011 was RMB924.76 million, representing an increase of 30.19% as compared with RMB710.30 million in 2010. The increase was mainly due to the increase in packaging expenses and transportation expenses resulting from the increase in sales volume.

Administrative Expenses

Administrative expenses of the cement segment was RMB1,729.83 million in 2011, representing an increase of 30.33% as compared with RMB1,327.24 million in 2010. The increase was mainly due to the increase in operational expenses as the new production lines commenced production.

Segment Results

Based on the above, results of the cement segment in 2011 was RMB3,797.80 million, representing an increase of 45.68% as compared with RMB2,606.96 million in 2010.

High-tech Materials

	2011	2010	Change
	RMB million	*RMB million*	%
		(Restated)	
Turnover	**6,246.94**	5,752.97	8.59
Cost of sales	**4,798.90**	4,220.02	13.72
Gross Profit	**1,448.03**	1,532.95	(5.54)
Selling and marketing expenses	**310.58**	275.30	12.82
Administrative expenses	**588.77**	829.83	(29.05)
Segment results	**700.94**	574.65	21.98

Turnover

Turnover of the high-tech materials segment in 2011 was RMB6,246.94 million, representing an increase of 8.59% as compared with RMB5,752.97 million in 2010. The increase was mainly due to the increase in sales volume and rising prices of the glass fiber and CNG cylinders which was partly offset by the decline in both prices and sales volume of the wind power blades.

Cost of Sales

Cost of sales of the high-tech materials segment in 2011 was RMB4,798.90 million, representing an increase of 13.72% as compared with RMB4,220.02 million in 2010. The increase was mainly due to the increase in the sales volume of glass fiber and CNG cylinders, which in turn resulted in an increase in the costs.

Gross Profit and Gross Margin

Gross profit of the high-tech materials segment in 2011 was RMB1,448.03 million, representing a decrease of 5.54% as compared with RMB1,532.95 million in 2010. Gross margin of the high-tech materials segment decreased by 3.47 percentage points from 26.65% in 2010 to 23.18% in 2011.

Selling and Marketing Expenses

Selling and marketing expenses of the high-tech materials segment in 2011 was RMB310.58 million, representing an increase of 12.82% as compared with RMB275.30 million in 2010. The increase was mainly due to the increase in sales volume for major products.

Administrative Expenses

Administrative expenses of the high-tech materials segment in 2011 was RMB588.77 million, representing a decrease of 29.05% as compared with RMB829.83 million in 2010. The decrease was mainly due to the decrease in the impairment provision for this year.

Segment Results

Based on the above, results of the high-tech materials segment in 2011 was RMB700.94 million, representing an increase of 21.98% as compared with RMB574.65 million in 2010.

Liquidity and Capital Resources

Cash flows:

	2011	2010
	RMB million	*RMB million*
		(Restated)
Net cash (used in) generated from operating activities	**(1,153.60)**	4,366.64
Net cash used in investing activities	**(7,796.31)**	(7,166.74)
Net cash generated from financing activities	**5,894.55**	5,940.65
Cash and cash equivalents at the end of the year	**10,162.45**	13,256.59

Net cash (used in) generated from operating activities

Net cash (used in) generated from operating activities decreased from RMB4,366.64 million in 2010 to net cash outflow of RMB1,153.60 million in 2011. The decrease was mainly due to the significant increase in the account receivables and inventories etc.

Net cash used in investing activities

Net cash used in investing activities increased from RMB7,166.74 million in 2010 to RMB7,796.31 million in 2011, which was mainly used for construction of new cement production lines.

Net cash generated from financing activities

Net cash generated from financing activities decreased from RMB5,940.65 million in 2010 to RMB5,894.55 million in 2011. The decrease was mainly due to considerable increase in the dividend and interests paid during the reporting period.

Working Capital

As at 31 December 2011, the Group's cash and cash equivalents amounted to RMB10,162.45 million (2010: RMB13,256.59 million). Unutilised bank credit facilities amounted to RMB30,630.08 million (2010: RMB16,898.52 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2011 declined to 96.15% (2010: 100.65%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including current and non-current borrowings, short-term financing bills, medium-term notes and the bonds payable as shown in the consolidated statement of financial position) less restricted bank balances and bank balances and cash. As at 31 December 2011, the net debt ratio of the Group was 79.63% (2010: 42.58%).

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

Borrowings

As at 31 December 2011, the balance of the Group's borrowings amounted to RMB30,891.90 million.

	31 December 2011 *RMB million*	31 December 2010 *RMB million* *(Restated)*
Short-term borrowings and long-term borrowings due within one year	**13,610.40**	8,178.19
Short-term financing bills	**800.00**	400.00
Long-term borrowings, net of portions due within one year	**9,641.00**	10,543.74
Corporate bonds	**2,487.83**	2,485.55
Medium-term notes	**4,352.67**	1,700.00
Total borrowings	**30,891.90**	23,307.48

Net Current Assets/Liabilities

As at 31 December 2011, the net current liabilities of the Group was approximately RMB1,461.56 million, representing a decrease of RMB1,661.50 million as compared with the net current assets of RMB199.94 million as at 31 December 2010. The decrease was mainly due to the considerable increase in the short-term borrowings and trade and other payables.

Inventory Analysis

As at 31 December 2011, the inventory of the Group was approximately RMB8,157.32 million, representing an increase of RMB2,796.06 million as compared with RMB5,361.26 million as at 31 December 2010. The increase was mainly due to the expansion of production scale. The inventory turnover days increased from 50.77 days in 2010 to 61.82 days in 2011. The increase was mainly due to increase in turnover day of some products.

Trade Receivables

As at 31 December 2011, the Group's trade receivables was approximately RMB9,284.67 million, representing an increase of RMB3,587.18 million as compared with the trade receivables of RMB5,697.49 million as at 31 December 2010. The increase was mainly due to increase in turnover days of trade receivables. In 2011, the average turnover days of trade receivables of the Company increased by 15.66 days from 38.27 days in 2010 to 53.93 days in 2011.

Contract Work-in-Progress

As at 31 December 2011, the Group's contract work-in-progress was approximately RMB209.78 million (as at 31 December 2010: RMB-257.26 million). Such change was mainly due to slow down in settlement of some contract projects.

Pledge of Assets

The Group's property, plant and equipment, and prepaid lease payments and investment properties with carrying values of RMB2,529.50 million and RMB204.82 million and nil as at 31 December 2011 were pledged as security respectively (31 December 2010: RMB2,444.34 million and RMB253.24 million and RMB54.34 million respectively).

Contingent Liabilities

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Outstanding guarantees	**60,000**	395,500
Total	**60,000**	395,500

Material Investment

During the reporting period, the Company did not make any material investment.

Material Acquisitions and Disposals of Assets

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

Market Risks

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

Contract Risks

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

During the reporting period, the Company further enhanced the management of contract risks, standardized newly-executed contract terms and improved the enforcement of contracts. For the contracts at hand, the Company made arrangement and carried out risk prevention plan. For the projects under construction, the Company enhanced assessment of the customers' payment risks, paid close attention to the customers' qualifications, and conduct periodic settlement in time. For delay and suspension in the construction of the related projects, the Company actively communicated with customers to avoid losses. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign Exchange Risks

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

Interest Rate Risks

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

Raw Materials and Energy Price Risks

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

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

TAN Zhongming, aged 58, is an executive Director and chairman of the Board. Mr. Tan had also served as the general manager of the Parent from October 2000 to May 2009, and has been serving as the chairman of the board of the Parent since May 2009. From March 2002 to July 2007, he served as the general manager of our predecessor, China National Non-Metallic Materials Corporation. Mr. Tan possesses in-depth knowledge as well as extensive managerial and operational experience in this industry. Mr. Tan has served in various key management positions such as the chief deputy head of Shandong Weifang Cement Factory (山東濰坊水泥廠) and the chief deputy head of Lunan Cement Factory (魯南水泥廠). From 1995 to October 2000, Mr. Tan has served a number of key governmental positions in the State Bureau of Building Materials Industry (國家建築材料工業局) such as the head of the Production Control and Industrial Management Department. Mr. Tan has also been serving as director of four A share-listed companies, namely, Sinoma International, Sinoma Science & Technology, Tianshan Cement and Ningxia Building Materials, since December 2001, December 2004, December 2006 and December 2008, respectively. Mr. Tan is entitled to a special government allowance provided by the State Council. He was awarded as Outstanding Entrepreneur in the National Building Materials Industry in 2004 and National Labour Model (全國勞動模範) in 2005. Mr. Tan also serves as the vice president of China Building Materials Federation (中國建築材料聯合會), the honorary president of China Building Materials Construction Society (中國建材工程建設協會) and the vice president of China Association of Construction Enterprise Management (中國施工企業管理協會). Mr. Tan is an representative of the 13th People's Congress of Beijing Municipality. Mr. Tan graduated from Xi'an Jiaotong University (西安交通大學) in June 1999 with a doctoral degree in management. He is a professorate senior engineer.

LI Xinhua, aged 47, is an executive Director and president of the Company. Mr. Li served as a vice president of the Company from July 2007 to October 2009. He was the vice chairman of the Board from December 2009 to May 2011 and has been serving as an executive Director since December 2009, and the president of the Company since January 2011. Mr. Li has been the chairman of the board of Sinoma Science & Technology, an A share-listed company, since May 2003, and served as the president of Sinoma Science & Technology from October 2009 to August 2010. He has also been serving as director of four listed companies, namely, BBMG Corporation, Qilianshan Co., Sinoma International and Ningxia Building Materials, since May 2011, June 2011, July 2011 and December 2011, respectively. Mr. Li has over 25 years of experience in the non-metal materials industry. Mr. Li first joined Beijing FRP Research and Design Institute (北京玻璃鋼研究設計院), currently a subsidiary of the Parent, in August 1985 and served various key positions, such as vice president and president. Mr. Li is a National Young and Middle Aged Expert with Important Contribution (國家有突出貢獻的中青年專家) and is entitled to a special government allowance provided by the State Council. Mr. Li currently serves as the vice president of China Building Materials Federation (中國建築材料聯合會), the vice president of Chinese Society for Composite Materials (中國複合材料學會), the president of China Industry Association for Composite Materials (中國複合材料工業協會), the vice chairman of Chinese Ceramic Society (中國硅酸鹽學會) and the vice chairman of China Building Material Industry Science and Technology Education Committee (國家建築材料科技教育委員會). Mr. Li graduated with a bachelor's degree in chemistry from Shandong Institute of Building Materials (山東建材學院) in July 1985. He is a professorate senior engineer.

NON-EXECUTIVE DIRECTORS

YU Shiliang, aged 57, is a non-executive Director of the Company and vice chairman of the Board. Mr. Yu served as an executive Director and president of the Company from July 2007 to March 2009, and then was re-designated as a non-executive Director of the Company and ceased to be the president of the Company since March 2009. He has been the vice chairman of the Board since May 2011. Mr. Yu served as the general manager of the Parent from April 1997 to October 2000 and served as the deputy general manager of the Parent from October 2002 to October 2007 and has been serving as the vice chairman of the board of the Parent since May 2009. Mr. Yu has worked over 30 years in the non-metal materials industry and therefore has gained extensive operational and managerial experience as well as in-depth knowledge of the field. Mr. Yu has held various positions in State Building Materials Bureau Xianyang Research & Design Institute of Ceramics (國家建材局咸陽陶瓷研究設計院) such as the deputy head and head of the institute since 1984 and served as the head of State Building Materials Bureau Synthetic Crystals Research Institute (國家建材局人工晶體研究所), currently a subsidiary of the Parent, from April 1995 to April 1997. Mr. Yu served as a director of Sinoma Science & Technology, an A share-listed company, from December 2001 to December 2004 and has been serving as its director since March 2008. Mr. Yu was entitled to a special government allowance provided by the State Council. In 2006, Mr. Yu was awarded the fifth National Outstanding Entrepreneur in Innovation. In 1999 and 2007, Mr. Yu was awarded as one of the Top Ten News Figures in the PRC Building Materials Industry (全國建材行業十大新聞人物). Mr. Yu also served as the vice chairman of Chinese Ceramic Society and the vice president of the China Mining Association (中國礦業聯合會). Mr. Yu was the representatives of the 16th and 17th National People's Congress of Chinese Communist Party. Mr. Yu graduated from Nanjing University of Technology (南京工業大學) in August 1978, majoring in ceramics. He is a professorate senior engineer.

LIU Zhijiang, aged 54, is a non-executive Director of the Company. Mr. Liu served as the deputy general manager of the Parent from May 2005 to May 2009, and has been serving as a director and general manager of the Parent since May 2009. He has over 25 years of experience in the PRC non-metal materials industry. Mr. Liu has served a number of key positions in TCDRI since August 1982 such as deputy head and head of the institute. Mr. Liu has been serving as a director of Sinoma International, an A share-listed company, since April 2006, and served as the chairman of the board of Sinoma International from April 2006 to December 2009. Mr. Liu is entitled to a special government allowance provided by the State Council. He was awarded as Provincial Young and Middle Aged Expert with Important Contribution (省部級有突出貢獻的中青年專家), China Engineering Design Master and was included in the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程國家級人選). Mr. Liu also serves various positions such as the vice president of China Building Materials Federation, the vice chairman of China Building Material Science and Technology Education Committee, the vice president of China Cement Association and the vice president of China Project Construction Association. Mr. Liu graduated from South China University of Technology (華南理工大學) in July 1982, majoring in binding materials. He is a professorate senior engineer.

ZHANG Hai, aged 53, is a non-executive Director of the Company. Mr. Zhang has been serving as the deputy general manager of the Parent since January 1996, and the secretary to the board of the Parent since May 2009. Mr. Zhang served various positions in different departments of the State Bureau of Building Materials Industry from August 1982 to January 1996, including the technician in the Beijing FRP Research and Design Institute (北京玻璃鋼研究所), the principal staff member, the deputy division head, the division head of the personnel department and the director of the office of the Party leadership group. Equipped with over 25 years of experience in the PRC non-metal materials industry, Mr. Zhang is entitled to a special government allowance provided by the State Council. Mr. Zhang graduated with a doctoral degree in economics from Wuhan University of Technology (武漢理工大學) in December 2007. He is a professorate senior engineer.

TANG Baoqi, aged 52, is a non-executive Director of the Company. Mr. Tang has over 25 years of experience in the banking industry and financial industry. Mr. Tang served in various departments in the headquarters of China Construction Bank from August 1983 to June 1999, including the transportation division in the second investment department, the non-industrial division in the investment department, the reserve loan division in the second credit department, the electrical, mechanical and textile division in the credit department and in the planning and finance division in the business department. Mr. Tang served in the debt management department of China Cinda Asset Management Co., Ltd. from June 1999 to February 2000. Mr. Tang served as the general manager in asset management department of Well Kent International Investment Company Limited from February 2000 to April 2006. Since April 2006, Mr. Tang has served as the chief financial officer of Well Kent International Investment Company Limited. Since March 2008, Mr. Tang has served as an executive director of Silver Grant International Industries Limited. Mr. Tang graduated with a bachelor's degree in economics from Infrastructure Finance and Credit Faculty of Hubei Institute of Finance and Economics (湖北財經學院) in August 1983. He is also qualified as a senior economist.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Chong Shun, aged 46, is an independent non-executive Director of the Company. Mr. Leung has been serving as an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd, (利君國際醫藥（控股）有限公司) since October 2005, an independent non-executive director of China Metal Recycling (Holdings) Limited since May 2009 and an independent non-executive director of China Communications Construction Company Ltd. (中國交通建設股份有限公司) since January 2011. Mr. Leung is a partner of Woo Kwan, Lee & Lo. (胡關李羅律師行), a reputable law firm based in Hong Kong. Mr. Leung graduated from the University of Hong Kong in November 1988 where he obtained a bachelor's degree of Laws with honours and he has been a solicitor since 1991. Mr. Leung is qualified as a solicitor in both Hong Kong and England.

SHI Chungui, aged 71, is an independent non-executive Director of the Company. Mr. Shi has been serving as a non-executive director of Aluminum Corporation of China Limited (中國鋁業股份有限公司) since June 2005 and has been serving as an independent non-executive director of Intime Department Store (Group) Company Limited (銀泰百貨(集團)有限公司) since August 2008. Mr. Shi has extensive experience in accounting, government and business administration. Mr. Shi served various key positions in the People's Government of Qinhuangdao, Hebei Province (河北省秦皇島市政府) from January 1972 to June 1988, such as the director of the commerce bureau and deputy mayor. Mr. Shi successively served as the president of Hebei Branch of China Construction Bank, the president of Beijing Branch of China Construction Bank and the vice president of the headquarters of China Construction Bank, from June 1988 to April 1999. Mr. Shi served as a vice president of Cinda from April 1999 to June 2001 and served as the vice chairman of the board of Tianjin Pipe Co., Ltd. (天津鋼管有限公司) from June 2001 to September 2003. Mr. Shi graduated with a bachelor's degree in public finance from Dongbei University of Finance and Economics (東北財經大學). Mr. Shi is currently a senior economist.

LU Zhengfei, aged 48, is an independent non-executive Director of the Company. Mr. Lu is currently an associate dean, a professor and a supervisor of doctoral students with Guanghua School of Management of the Peking University (北京大學光華管理學院). He is also a consultant to the China Accounting Standards Committee of the Ministry of Finance of the PRC (財政部會計準則委員會), a member and academic committee member of the Accounting Society of China (中國會計學會), an executive member of the Standing Committee of the China Audit Society (中國審計學會), a member of the Chinese Tax Institute (中國稅務學會) and a member of the Chinese Costing Research Institute (中國成本研究會) and a guest editor of Accounting Research (《會計研究》) and Audit Research (《審計研究》). Mr. Lu has over 20 years of experience in the accounting industry and therefore has gained extensive operational and managerial experience as well as profound knowledge of this field. Mr. Lu served as an independent non-executive director of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) from February 2004 to January 2011 and has been serving as an independent supervisor of such company since January 2011. Mr. Lu has been an independent non-executive director of Sinotrans Limited (中國外運股份有限公司) since September 2004 and an independent non-executive director of Sino Biopharmaceutical Limited (中國生物制藥有限公司) since November 2007. Mr. Lu was selected as one of the "Top 100 Talents Program (百人工程)" in social science theories in Beijing in 2001 and one of the "New Century Excellent Scholarship Program (新世紀優秀人才支持計劃)" of the Ministry of Education of the PRC (中國教育部) in 2005. Mr. Lu graduated with a doctoral degree in economics from Nanjing University (南京大學) in June 1996 and completed the post-doctoral research in economics (accounting) at Renmin University of China (中國人民大學).

WANG Shimin, aged 63, is an independent non-executive Director of the Company. Mr. Wang served in the Supreme People's Court of the PRC (最高人民法院) from 1980 to 2008, during which he served various key positions, such as the deputy chief of National Judges College (國家法官學院), the deputy chief of Administration in General Office (辦公廳) of the Supreme People's Court and the chief of Bureau of Justice and Material Administration (司法行政裝備管理局). Mr. Wang graduated with a second bachelor's degree in law from University of Science and Technology Beijing (北京科技大學). He is currently a professor at National Judges College.

ZHOU Zude, aged 66, an independent non-executive Director of the Company. Mr. Zhou is the professor and supervisor of doctoral students of the School of Mechanical and Electronic Engineering of Wuhan University of Technology (武漢理工大學), a director of the key laboratory of digital manufacturing in Hubei Province (湖北省數字製造重點實驗室) and a chair professor in mechatronics. Mr. Zhou held various positions, such as the lecturer and researcher director of electric engineering faculty of Huazhong University of Science and Technology (華中理工大學), the deputy professor and professor of Mechanical Engineering Faculty Department of Huazhong University of Science and Technology, the vice president of Huazhong University of Science and Technology, the visiting professor of University of Bolton and National University of Singapore, from July 1970 to May 2000. From May 2000 to June 2010, Mr. Zhou served as the president of Wuhan University of Technology. Mr. Zhou is an senior member of Chinese Mechanical Engineering Society and American Society of Civil Engineers. Mr. Zhou is also the chief editor of the magazine "Digital Manufacture Science (《數字製造科學》)" and the journal of natural science of Wuhan University of Technology, the director of the International Academy for Production Engineering (國際生產工程學會), the deputy chief editor of the magazine "International Biological Mechanics and Electric and Mechanical Engineering Integration (《國際生物機械與機電一體化》)" and a member of the editors of the magazine "International Vibration and Noises (《國際振動與噪聲》)". Mr. Zhou is also the vice chairman of the fourth board of the Chinese Mechanical Engineering Magazine Agency. Mr. Zhou graduated from Huazhong University of Science and Technology in July 1970 and majored in electric system automation. Mr. Zhou also attended advanced studies at the University of Birmingham.

SUPERVISORS

XU Weibing, aged 52, is the chairman of the Supervisory Committee of the Company. Ms. Xu has been serving as the chief accountant of the Parent since October 2000 and served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation from 2005 to July 2007. Ms. Xu has over 25 years of experience in financial accounting and capital operation. She joined the Parent in 1989 and has served various key accounting and financial positions. Ms. Xu is entitled to a special government allowance provided by the State Council. She also serves as the committee member of China Association of Chief Financial Officers, deputy head of Geology Division of China Association of Chief Financial Officers, deputy head of building materials sub-committee of the Accounting Society of China and deputy head of geology sub-committee of the Accounting Society of China. Ms. Xu graduated from Liaoning Finance and Economics Institute (遼寧財經學院) in July 1983, majoring in finance. She is also a senior accountant.

ZHANG Renjie, aged 47, is the Supervisor of the Company. Mr. Zhang has been serving as the chief financial officer of Taian State-owned Assets Management Co., Ltd. Since August 2005. Mr. Zhang previously served as a deputy director of the finance division of Taian Fruit Company (泰安市果品公司) from August 1984 to March 1991. He served as the deputy director of finance and audit division of Taian Machinery and Electronics Administrative Bureau from March 1991 to January 2000. Mr. Zhang served as the manager of the finance and audit department and an assistant to the general manager of Taian State-owned Assets from January 2000 to August 2005. Mr. Zhang graduated in 1997 from Shandong Executive Leadership Academy (山東幹部大學) with a bachelor's degree in accounting. He is also a senior auditor.

WANG Jianguo, aged 55, is the Supervisor of the Company. Mr. Wang is currently a director and executive deputy general manager of BBMG and has been serving as the chairman of the labour union of BBMG and its predecessor, Beijing Building Material Group Corporation (北京建材集團總公司) since August 2000. Mr. Wang also worked in Beijing Building Material Group Corporation as the operational manager and the vice president of the labour union from September 1995 to August 2000. Prior to that, he served as the deputy head of Beijing Ceramics Factory (北京市陶瓷廠) from March 1992 to September 1995. Mr. Wang graduated from Capital University of Economics and Business (首都經貿大學) in July 1987 and majored in economics. Mr. Wang is currently a senior political engineer.

YU Xingmin, aged 56, is the employee representative Supervisor of the Company. Mr. Yu served as the executive vice president of Sinoma International from August 2005 to December 2009, and has been serving as vice chairman of the board of Sinoma International since December 2009. Mr. Yu worked in TCDRI with various positions such as the deputy head and head of the institute, general manager and chairman from February 1982 to January 2010. At present, Mr. Yu also serves as the vice president of China Building Materials Federation. In May 2008, Mr. Yu obtained his executive master degree in business administration program which was jointly established by University of Science and Technology Beijing and the University of Texas at Arlington. He is currently a professorate senior engineer and a National Engineering Survey and Design Master.

QU Xiaoli, aged 41, is the employee representative Supervisor of the Company. Mr. Qu has been serving as the director of the finance department of the Company since August 2007. Mr. Qu served in the audit department of China Construction Materials and Geological Prospecting Center (中國建材地質勘查中心) from July 1995 to November 1999. He also served as the chief accountant of Xiamen Standard Sand from November 1999 to August 2006. Mr. Qu graduated from Shijiazhuang University of Economics (石家莊經濟學院) in July 1995 and majored in accounting. He is also a senior accountant.

SENIOR MANAGEMENT

LI Xinhua, is the president of the Company, whose details are set out in the section headed "Executive Directors".

YU Mingqing, aged 48, is the vice president of the Company. Mr. Yu worked in Wuhan Building Materials Industry Design and Research Institute (武漢建築材料設計研究院), currently a subsidiary of the Parent, from June 1988 to June 1989. Mr. Yu worked at Shangdong Industrial Ceramics Research and Design Institute (山東工業陶瓷研究設計院), from July 1989 to April 2001, where he served various key positions such as vice president and president of the institute. Mr. Yu has also served as the head of Sinoma Synthetic Crystals Research Institute (中材人工晶體研究院) from May 2001 to November 2005. Mr. Yu served as the chairman of the board of Sinoma Advanced Materials from June 2004 to February 2009, and he has been the deputy general manager of China National Non-Metallic Materials Corporation, our predecessor, since October 2004. Mr. Yu has been involved in the research and development, production, operation and management of non-metal materials for over 20 years and has accumulated rich knowledge of the industry. He is a Young and Middle aged Expert with Outstanding Contribution to the National Building Materials Industry (國家建材行業有重要貢獻的中青年專家) and an Outstanding Entrepreneur in the National Building Materials Industry (全國建材行業優秀企業家), who is entitled to a special government allowance provided by the State Council. Mr. Yu also serves as the member of China Building Materials Federation, member of China Building Material Industry Science and Technology Education Committee, and standing director of Chinese Ceramic Society. He graduated from Wuhan University of Technology (武漢理工大學) in January 2003, majoring in materials and holds a doctorate degree in engineering. Mr. Yu is currently a professorate senior engineer.

GU Chao, aged 51, is the vice president of the Company, the secretary to the Board and a joint company secretary. Mr. Gu has been serving as a deputy general manager of our predecessor China National Non-Metallic Materials Corporation, since September 2000. Mr. Gu first joined China Building Materials Industry Construction Corporation (中國建築材料工業建設總公司), our predecessor, in 1989, where he has served various senior managerial positions in the production, business development and overseas engineering departments. Mr. Gu has over 25 years of work experience in the non-metal materials industry and has profound understanding of this industry in China. Mr. Gu graduated from Xi'an University of Architecture and Technology (西安冶金建築學院) in July 1982, majoring in constructions. Mr. Gu is currently a professorate senior engineer.

SU Kui, aged 49, is the vice president of the Company. Mr. Su had been serving as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation since March 2002 and was the secretary of the Board of the Company from July 2007 to July 2010. Mr. Su has extensive experience in enterprise investment, operation and management, and has more than 25 years of experience in the non-metals materials industry. Mr. Su joined the Parent in 1987 and has held various positions such as manager of the general planning department, manager of finance department, manager of planning and technical department and assistant to the general manager of the Parent. Mr. Su is also a member of the State Construction Material Industry Technology Education Committee, director of Special Committee on Non-metallic Minerals (非金屬礦專委會), standing director of Chinese Ceramic Society (中國硅酸鹽學會) and director-general of Non-metallic Minerals Branch (非金屬礦分會). Mr. Su graduated from Wuhan University of Technology (武漢理工大學) in July 1984, majoring in non-metals mining. He is currently a professorate senior engineer.

JIN Leyong, aged 57, is the vice president of the Company. Mr. Jin had served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation since December 2005. Prior to this, Mr. Jin served various positions such as assistant engineer, engineer, department head and assistant to the president of Tianjin Cement Institute from January 1982 to June 1992. Mr. Jin then joined China Nongfang North Corporation (中國農房華北公司) and served as the deputy general manager and general manager from June 1992 to October 1999. Mr. Jin was then appointed as the deputy chief of State Building Materials Bureau Retirement Department (國家建材局離退休幹部局) for a term commencing from October 1999 and ending in October 2001. Mr. Jin first joined the Parent in October 2001 and has served in various subsidiaries of the Parent holding senior managerial positions such as the deputy general manager of CBMC and the president of Beijing FRP Research and Design Institute. Mr. Jin has over 30 years of experience in the building materials industry. Mr. Jin graduated from Wuhan University of Technology (武漢理工大學) in January 1982 with a bachelor's degree in constructions. He is currently a professorate senior engineer.

SUI Yumin, aged 47, is the vice president of the Company and has been serving as the chairman of the board of Sinoma Cement since April 2010. Before joining the Group in August 2003, Mr. Sui had held various positions in Lunan Cement Factory (魯南水泥廠) such as deputy chief engineer and executive deputy general manager from August 1986 to August 2003. Mr. Sui worked as the deputy general manager of Sinoma Cement and the chairman of the board and general manager of Sinoma Hanjiang from August 2003 to September 2004. Subsequently Mr. Sui served as the deputy general manager and executive deputy general manager of Tianshan Cement until July 2007. Mr. Sui has been serving as a director of Tianshan Cement and Ningxia Building Materials since October 2005 and December 2008, respectively. Mr. Sui has extensive work experience in the cement industry for over 20 years. Mr. Sui graduated from Shandong Institute of Building Materials (山東建材學院) in July 1986, majoring in cement engineering, and obtained his executive master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2010. Mr. Sui is currently a professorate senior engineer.

ZHANG Zhifa, aged 58, is the vice president of the Company. Mr. Zhang has over 25 years of experience in the non-metal materials industry. Mr. Zhang first joined the Group in July 2007 and prior to that he had worked for Taian Dongping Cement Factory (泰安市東平水泥廠) as the deputy head and head of the factory from January 1978 to June 1986. Then Mr. Zhang worked in Taian Building Materials Bureau (泰安市建材工業局) until 1999 holding various positions including deputy head. Mr. Zhang also served as the chairman of the board and general manager of Taian Taishan Composite Materials Co., Ltd. (泰安市泰山複合材料有限公司) from June 2000 to December 2001. Mr. Zhang served as the chairman of the board of CTG from January 2002 to July 2010. At present, Mr. Zhang also serves as the vice president of China Building Materials Federation. Mr. Zhang was the representatives of the 10th and 11th National People's Congress, an expert of the State Science and Technology Panel (國家科學技術評審專家) who is entitled to a special government allowance provided by the State Council, and a specialist professor commissioned under the Scheme of Taishan Scholars of Shandong Province (山東省泰山學者). Mr. Zhang graduated from Nanjing University of Technology (南京工業大學) in January 1978, majoring in silicate materials. He is currently a professorate senior engineer.

WANG Baoguo, aged 56, is the vice president of the Company. Mr. Wang served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation from October 2004 to July 2007, and a Supervisor of the Company from July 2007 to October 2009, and he has been serving as the vice president of the Company since October 2009. Mr. Wang has been serving as the chairman of the board and general manager of Sinoma Jinjing since October 2004. Mr. Wang worked for the Shandong Economic Planning Commission (山東省計委) from 1981 to 1992. Mr. Wang also served as deputy mayor of Dongying City, Shandong Province (山東省東營市副市長) from December 1992 to October 2003. Mr. Wang graduated from the Party School of the Central Committee of the Communist Party of China (CPC) (中共中央黨校), majoring in economics and management. Mr. Wang is currently a senior economist.

WANG Guanglin, aged 53, is the vice president of the Company. Mr. Wang has been the chairman of Ningxia Building Materials since December 2011. Mr. Wang has over 25 years of experience in cement industry. He had been an assistant to the head and the deputy head of Ningxia Cement Factory (寧夏水泥廠) from November 1984 to March 1997, and successively served as head, deputy general manager, chairman of the board and general manager in Qingtongxia Cement Factory, Ningxia Hui Autonomous Region Building Materials Industrial Corporation, Qingtongxia Cement Corporation and Ningxia Building Materials Group, from March 1997 to November 2005, respectively. Mr. Wang has been serving as the chairman of the board of Ningxia Building Materials Group Company Limited since November 2005 and served as the chairman of the board of Sinoma Cement from September 2007 to April 2010. Mr. Wang graduated from Chinese University of Hong Kong in December 2008 with a master's degree in business administration. Mr. Wang is currently a professorate senior engineer.

WANG Wei, aged 55, is the vice president of the Company. Mr. Wang served as the director and president of Sinoma International from December 2001 to December 2009 and has been serving as the chairman of the board of Sinoma International since December 2009. Mr. Wang served as the Supervisor of the Company from July 2007 to March 2010 and has been serving as the vice president of the Company since March 2010. Mr. Wang joined the Parent in 1984 and had held various positions, such as deputy head of Nanjing Cement Industry Design and Research Institute Co., Ltd. Mr. Wang served as the deputy general manager and general manager of China National Non-Metallic Materials Corporation from June 2001 to March 2002. Mr. Wang graduated from Nanjing University of Technology (南京工業大學) in January 1982 majoring in cement engineering. He is currently a professorate senior engineer.

LIU Yan, aged 46, is the vice president of the Company. Mr. Liu has been serving as the chairman of the board of Sinoma Advanced Materials since January 2010. Mr. Liu joined the Parent in 1985 and had held various positions such as assistant to the head and deputy head of Nanjing Fiberglass R&D Institute (南京玻璃纖維研究設計院). Mr. Liu was the vice president of Sinoma Science & Technology, an A share-listed company, from December 2001 to May 2003 and was the president of Sinoma Science & Technology from May 2003 to October 2009. Mr. Liu graduated from Nanjing University of Technology (南京工業大學) in July 1985, majoring in silicate engineering. Mr. Liu is currently a senior engineer.

YU Kaijun, aged 48, is the Chief Financial Officer of the Company. Mr. Yu worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Mr. Yu served as the chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (深圳蘭光科技股份有限公司) (and its predecessor, Shenzhen Languang Electronic Industrial Corporation (深圳蘭光電子工業總公司)) from November 1990 to October 2001. Mr. Yu served as the chief financial officer of Sinoma International from December 2001 to January 2011. Mr. Yu has been the chairman of the supervisory committee of Ningxia Building Materials and Tianshan Cement since December 2011. Mr. Yu graduated from the Hong Kong Polytechnic University in December 2006, majoring in accounting and obtained a master's degree in accounting. He is currently a senior accountant.

Directors, Supervisors and senior management have no other relationships with other Directors, Supervisors and senior management apart from working relationships.

DIRECTORS' REPORT

The Board is pleased to present the annual report for the year ended 31 December 2011, together with the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL BUSINESS

The Group is principally engaged in the cement equipment and engineering services, cement and high-tech materials businesses. Details of the businesses of the Company's principal subsidiaries are set out in note 58 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2011 and the financial information of the Group as at 31 December 2011 are set out in the audited financial statements of this report.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2011 is set out as follows:

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

DIVIDEND

The Board recommends the distribution of final dividend of RMB0.06 per share (tax inclusive) in an aggregate amount of RMB214.29 million for the year ended 31 December 2011.

PUBLIC FLOAT

As at the date of this report, based on the public information available to the Company and as far as the Directors are aware, the Company fulfilled the public float requirement under Rule 8.08 of the Listing Rules.

DIRECTORS AND SUPERVISORS

Certain information concerning the Directors and the Supervisors as at 31 December 2011 is set out below:

Name	Position	Gender	Age	Term
TAN Zhongming	Chairman of the Board and executive Director	Male	58	26 July 2010 to 25 July 2013
LI Xinhua	Executive Director	Male	47	26 July 2010 to 25 July 2013
	President			4 January 2011 to 25 July 2013
YU Shiliang	Vice chairman of the Board	Male	57	20 May 2011 to 25 July 2013
	Non-executive Director			26 July 2010 to 25 July 2013
LIU Zhijiang	Non-executive Director	Male	54	26 July 2010 to 25 July 2013
ZHANG Hai	Non-executive Director	Male	53	12 July 2011 to 25 July 2013
TANG Baoqi	Non-executive Director	Male	52	12 July 2011 to 25 July 2013
LEUNG Chong Shun	Independent non-executive Director	Male	46	26 July 2010 to 25 July 2013
SHI Chungui	Independent non-executive Director	Male	71	26 July 2010 to 25 July 2013
LU Zhengfei	Independent non-executive Director	Male	48	26 July 2010 to 25 July 2013
WANG Shimin	Independent non-executive Director	Male	63	26 July 2010 to 25 July 2013
ZHOU Zude	Independent non-executive Director	Male	66	26 July 2010 to 25 July 2013
XU Weibing	Chairman of the Supervisory Committee	Female	52	26 July 2010 to 25 July 2013
ZHANG Renjie	Supervisor	Male	47	26 July 2010 to 25 July 2013
WANG Jianguo	Supervisor	Male	55	26 July 2010 to 25 July 2013
YU Xingmin	Supervisor	Male	56	26 July 2010 to 25 July 2013
QU Xiaoli	Supervisor	Male	41	26 July 2010 to 25 July 2013

The term of office of all Directors is not more than 3 years, until and unless any party gives a notice of termination of not less than one month to the other party.

The biography details of the Directors and the Supervisors are set out in the section of "Biography of Directors, Supervisors and Senior Management".

Mr. LI Xinhua was appointed as the president of the Company and a member of the Nomination Committee on 4 January 2011. Please refer to the announcement of the Company dated 4 January 2011 for details.

Mr. YU Shiliang was appointed as the vice chairman of the Board on 20 May 2011 in substitution of Mr. LI Xinhua who has resigned as the vice chairman. Please refer to the announcement of the Company dated 20 May 2011 for details.

Mr. ZHANG Hai and Mr. TANG Baoqi were appointed as the non-executive Directors of the Company on 12 July 2011. Mr. CHEN Xiaozhou resigned as a non-executive Director with effect from 12 July 2011 for job re-designation. Please refer to the announcements of the Company dated 20 May 2011 and 12 July 2011 for details.

DISCLOSURE OF INTERESTS

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

As at 31 December 2011, Mr. ZHANG Hai, a non-executive Director of the Company, was interested in 42,000 shares of the Company. Save as disclosed above, no other Director, Supervisor or chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong 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 were required, pursuant to Section 352 of the SFO, to be recorded in the register kept under such provisions or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange.

Directors', Supervisors' and Chief Executive's Rights in the Subscription of Shares and Debentures

During the reporting period, no Director, Supervisor or chief executive of the Company or their respective spouses or children under the age of 18, had been granted any right by the Company to subscribe shares or debentures of the Company or any of its associated corporations, or had exercised any such right to subscribe for shares or debentures above.

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

As at 31 December 2011, so far as the Directors, Supervisors and the chief executive of the Company are aware, the persons listed in the following table had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Type of Shares	Nature of Interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total share capital
China National Materials Group Corporation Ltd.	Domestic shares	N/A	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Co., Ltd.	Domestic shares	N/A	319,788,108	14.05%	8.96%
Taian Taishan Investment Co., Ltd.	Domestic shares	N/A	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Unlisted foreign shares	N/A	130,793,218	100.00%	3.66%
The National Council for Social Security Fund	H Shares	Long position	94,253,115	8.10%	2.64%
Desmarais Paul G.	H Shares	Long position	80,981,000	6.96%	2.27%
Gelco Enterprises Ltd	H Shares	Long position	80,981,000	6.96%	2.27%
Lazard Asset Management LLC	H Shares	Long position	76,014,825	6.53%	2.13%
Allianz SE	H Shares	Long position	69,582,000	5.98%	1.95%
JPMorgan Chase & Co.	H Shares	Long position	68,686,826	5.90%	1.92%
		Short position	7,232,000	0.62%	0.20%
		Lending Pool	60,898,826	5.23%	1.71%

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

Save as disclosed above, so far as the Directors, Supervisors and chief executive of the Company are aware, as at 31 December 2011, there was no other person with interests and/or short positions in the shares and underlying shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

MAJOR CUSTOMERS AND SUPPLIERS

The consolidated turnover from the five largest customers of the Group accounted for less than 30% of the Group's total turnover in 2011.

The consolidated total purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in 2011.

Save as disclosed above, none of the Directors, their associates or, so far as the Directors are aware, shareholders who are interested in more than 5% of the share capital of the Company have beneficial interests in the five largest customers or in the five largest suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2011, the additions of property, plant and equipment of the Group was approximately RMB8,974.11 million. Details of these movements are set out in note 21 to the financial statements.

RESERVES

Details of the movement of the Group's reserves during the year are set out in the "Consolidated Statement of Changes in Equity" of this report.

EMPLOYEES

As at 31 December 2011, the Group had 52,755 employees.

REMUNERATION POLICY

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating the remuneration policy and remuneration proposal for the executive Directors and senior management of the Company in accordance with its written terms of reference. The remuneration of the executive Directors was determined and realized according to the service contracts of the Directors as approved at the general meetings and the operating results of the Company. The remuneration of the non-executive Directors, the independent non-executive Directors and the Supervisors was determined and realized according to the service contracts of the non-executive Directors, the independent non-executive Directors and the Supervisors as approved at the general meeting.

The Company adopts position-based remuneration system for general management staff, and their remuneration is determined according to the relative importance of the positions, the duties assumed in the positions and other factors. Various salary models such as piece rate and skill-based wage model were adopted for other employees based on the categories to which they belong and their job nature.

The Company stringently controlled the overall salary management of its controlling companies and wholly-owned subsidiaries in accordance with the applicable policy of the Chinese government. It sought to maintain an appropriate balance between salary increase and the growth in economic benefits, in order to achieve a win-win situation among shareholders, management and employees and facilitate the harmonious development of the enterprise.

As required by the relevant state and local labour and social welfare laws and regulations, the Company contributed to certain housing fund and social insurance premiums for its employees on a monthly basis. Insurance premiums are paid for retirement insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance. In Beijing, as required by the prevailing and applicable local rules, the Company's contributions to retirement insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing fund shall account for 20%, 10%, 1%, 0.3%, 0.8% and 12% of the total basic monthly salary of the employees.

RETIREMENT PLAN OF EMPLOYEES

Details are set out in note 41 to the financial statements.

SHARE APPRECIATION RIGHTS SCHEME

To motivate and award the senior management team and other key members of the Company, the Company formulated the share appreciation rights scheme. Such scheme was considered and approved by the relevant administrative department of the Chinese government on 15 July 2010 and was also approved at the extraordinary general meeting of the Company held on 22 October 2010. And a total of 4.13 million units of the share appreciation rights were granted to 16 Directors and senior management. On 22 December 2010, Mr. Zhou Yuxian, executive director, has resigned and his 300,000 units of the share appreciation rights granted under the share appreciation rights scheme were invalid.

Pursuant to the share appreciation rights scheme, the share appreciation rights granted are still in vesting period.

DIRECTORS' AND SUPERVISORS' REMUNERATIONS

Details of the remunerations of the Directors and the Supervisors of the Company are set out in note 18 to the financial statements.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with a term of at most 3 years with all the Directors and the Supervisors. No Director or Supervisor has entered into or intends to enter into a service contract with the members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACT

No Director or Supervisor of the Company had a material interest, either directly or indirectly, in any contract relating to the business of the Group, to which the Company or any of its subsidiaries was a party, and was subsisting at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

During the reporting period, the Company has not signed or held any contract concerning the management of the general business or any major business segment of the Company.

CONNECTED TRANSACTIONS

1. Exempted Connected Transactions

1.1 Non-competition Agreement

The Company entered into a non-competition agreement with the Parent on 23 November 2007, pursuant to which, the Parent has agreed not to, and to procure its subsidiaries (other than the Group) not to, compete with the core businesses of the Group and granted the Group options and pre-emptive rights to acquire retained business and certain future business from the Parent.

For the year ended 31 December 2011, save as disclosed in the prospectus of the Company, no Director (including independent non-executive Directors) has made any decision to exercise the options.

For the year ended 31 December 2011, the Parent confirmed its compliance with the commitments stated in the non-competition agreement, and provided the independent non-executive Directors with all information required for the annual review and the execution of the non-competition agreement.

2. Non-exempted Connected Transactions

Major connected transactions of the Group during 2011 are as follows:

2.1 Acquisition of 100% equity interest held by the Parent in Sinoma Equipment Maintenance (Shangrao) Co., Ltd. by Sinoma Shangrao Machinery Co., Ltd.

On 12 January 2011, Sinoma Shangrao Machinery Co., Ltd. ("Sinoma Shangrao"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the Parent, pursuant to which, Sinoma Shangrao has agreed to acquire a 100% equity interest in Sinoma Equipment Maintenance (Shangrao) Co., Ltd. ("Maintenance Company") held by the Parent for a consideration of RMB30,852,300. The acquisition has been completed on 17 January 2011, and Maintenance Company therefore became a wholly-owned subsidiary of Sinoma Shangrao.

Details of the transaction are set out in the announcement of the Company dated 12 January 2011 on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

The Company is of the view that the acquisition of Maintenance Company will (i) revitalize the high quality assets to fully realize the economic value by way of the acquisition of relevant land use rights; (ii) enlarge Sinoma Shangrao's business scale in transporting equipment manufacture industry; (iii) reduce the leasing costs of property and (iv) strengthen the future development of Sinoma Shangrao.

2.2 Acquisition of 100% equity interest held by the Parent in Sinoma Slipform Leasing (Shangrao) Co., Ltd. by Sinoma Shangrao

On 12 January 2011, Sinoma Shangrao, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the Parent, pursuant to which, Sinoma Shangrao has agreed to acquire a 100% equity interest in Sinoma Slipform Leasing (Shangrao) Co., Ltd. ("Leasing Company") held by the Parent for a consideration of RMB9,866,700. The acquisition has been completed on 17 January 2011, and Leasing Company therefore became a wholly-owned subsidiary of Sinoma Shangrao.

Details of the transaction are set out in the announcement of the Company dated 12 January 2011 on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

The Company is of the view that the acquisition of Leasing Company will (i) revitalize the high quality assets to fully realize the economic value by way of the acquisition of relevant land use rights; (ii) reduce the leasing costs of property and (iii) strengthen the future development of Sinoma Shangrao.

2.3 Acquisition of 100% equity interest held by the Parent in Suzhou Concrete Cement Product Research Institute Company Limited by Sinoma Cement

On 22 February 2011, Sinoma Cement, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the Parent, whereby Sinoma Cement has agreed to acquire a 100% equity interest in Suzhou Concrete Cement Product Research Institute Company Limited ("SCRI") held by the Parent for a consideration of RMB95,175,600. The changes in registration in respect of the equity transfer agreement has been completed on 17 March 2011, and SCRI therefore became a wholly-owned subsidiary of Sinoma Cement.

Details of the transaction are set out in the announcement of the Company dated 22 February 2011 on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

The Company is of the view that the acquisition of SCRI will (i) facilitate the Group's expansion into commercial concrete market; (ii) extend the industrial chain of the Company; (iii) improve the profitability of the Company and (iv) enhance the key competitiveness and market power of the Company.

2.4 Establishment of Sinoma Group Finance Co., Ltd.

On 27 September 2011, the Company and the Parent entered into the Promoters' Agreement to jointly establish Sinoma Group Finance Co., Ltd. ("Sinoma Finance") with a registered capital of RMB500 million. The Company and the Parent contributed RMB150 million and RMB350 million respectively to Sinoma Finance, accounting for 30% and 70% of its registered capital. Application for establishment of Sinoma Finance has been made to the relevant authority for approval.

Details of the transaction are set out in the announcement of the Company dated 27 September 2011 on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

The main reasons for establishment of Sinoma Finance are as follows:

(i) the use of Sinoma Finance as a vehicle would allow for the more efficient deployment of funds among members of the Group;

(ii) greater utilization of available funds to repay the external commercial loans of the members of the Group;

(iii) saving financial costs, thereby increasing the profitability of the Group and benefiting Shareholders, including minority Shareholders; and

(iv) the Company believes that Sinoma Finance may provide more diversified and flexible financial services to the Group compared with a single or small number of third-party commercial banks.

2.5 Provision of entrustment loan to Yangzhou Zhongke Semiconductor Lighting Co., Ltd. by CTG

On 30 September 2011, CTG, a wholly-owned subsidiary of the Company, entered into the Entrustment Loan Agreement with Bank of China Limited Tai An Branch ("Bank of China") and Yangzhou Zhongke Semiconductor Lighting Co., Ltd. ("Yangzhou Zhongke"), pursuant to which CTG, with its own funds, designated the Bank of China to act as the trustee to release the relevant entrustment loan to Yangzhou Zhongke in the amount of RMB100 million for a period of 90 days, and the use and repayment of the entrustment loan shall be monitored by CTG. As at 30 December 2011, Yangzhou Zhongke has fully repaid the entrustment loan in accordance with the Entrustment Loan Agreement.

Details of the transaction are set out in the announcement of the Company dated 30 September 2011 on the website of the Hong Kong Stock Exchange.

Yangzhou Zhongke is a subsidiary of the Parent, and is therefore a connected person of the Company under the Listing Rules.

The Company is of the view that the entering of the Entrustment Loan Agreement will (i) generate profit by utilizing the available fund of the Group; and (ii) further enhance the financial position of the Group.

3. Non-exempted Continuing Connected Transactions

The Group has entered into certain non-exempted continuing connected transactions in 2011. The table below has set out the annual caps and the actual transaction amounts of such transactions:

Connected Transactions		**Expenditure**		**Revenue**	
		Actual amount	**Cap**	**Actual amount**	**Cap**
		RMB	*RMB*	*RMB*	*RMB*
Property Lease Framework Agreement	(1)	21,588,717	50,000,000	–	–
Mutual Supply of Equipment and Parts, Provision of Maintenance, Repair and Installation Services Agreement between the Company and the Parent	(2)	138,743,543	200,000,000	13,613,253	50,000,000
Mutual Supply of Raw Materials, Products and Services Agreement between the Company and Hengda Hong Kong	(3)	8,655,464	142,570,000	997,005	153,180,000
Mutual Comprehensive Services Agreement between the Company and the Parent	(4)	152,373,053	210,000,000	7,742,763	60,000,000
Mutual Supply of Raw Materials and Products Agreement between the Company and the Parent	(5)	81,149,854	96,790,000	76,311,977	145,840,000
Framework Agreements for the BOOT Project, the CDM Project and the SEEG Sub-contract Project between the Company and Sinoma Energy Conservation	(6)	457,522,807	900,000,000	3,222,222	100,000,000

3.1 Property Lease Framework Agreement

In order to regulate the property lease arrangements between the Parent Group (other than the Group) and the Group, a property lease framework agreement was entered into between the Parent and the Company on 5 May 2009.

Pursuant to the property lease framework agreement, the Group agreed, in accordance with the agreements between both parties from time to time, to lease from the Parent Group (other than the Group) certain lands and buildings (including but not limited to production lines, office buildings, warehouses and employees' quarters) owned or leased by the Parent Group in the PRC, for the purpose of the operation of the Group.

Under the property lease framework agreement, the rentals shall be determined in accordance with the following pricing principles: 1) the state-prescribed price; 2) where there is no state-prescribed price, then the relevant state-recommended price; 3) where there is no state-recommended price, then the relevant market price; 4) where there is no relevant market price, the contracted price, which shall be determined on the basis of reasonable cost plus reasonable profit margin and by reference to the historical rentals (if any).

The property lease framework agreement commenced from 5 May 2009 and ended on 31 December 2011. Details of the transaction are set out in the announcement of the Company dated 5 May 2009 on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap on the aggregate rentals payable by the Group to certain subsidiaries of the Parent for 2011 under the property lease framework agreement was RMB50,000,000 and the actual total rental incurred was approximately RMB21,588,717.

On 5 December 2011, the Company renewed the property lease framework agreement with the Parent for a further one-year term with effect from 1 January 2012 to 31 December 2012, while the other terms of the agreement remained unchanged. Upon expiry of the term, the property lease framework agreement shall be renewed for a further period of three years, subject to the relevant disclosure requirements under the Listing Rules and mutual agreement of the parties. Details of the transaction are set out in the announcement of the Company dated 5 December 2011.

3.2 Mutual Supply of Equipment and Parts, Provision of Maintenance, Repair and Installation Services Agreement between the Company and the Parent

On 31 December 2009, the Company renewed the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent, whereby the Group has agreed to provide the Parent Group with equipment and parts for cement and concrete production, and the Parent Group has agreed to provide the Group with certain cement production related equipment, parts and maintenance, repair and installation services.

Under the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent, the price shall be determined in accordance with the following pricing principles: 1) the state-prescribed price; 2) where there is no state-prescribed price, then the relevant state-recommended price; 3) where there is no state-recommended price, then the relevant market price; 4) where there is no relevant market price, then the contracted price, which shall be determined by reference to the historical figures for preceding years (if any).

The mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement commenced from 1 January 2010 and will end on 31 December 2012. Upon expiry of the term, the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement will be renewed for a further term of three years, subject to the relevant disclosure requirements under the Listing Rules and mutual agreement of the parties. Details of the transaction are set out in the announcements of the Company dated 31 December 2009 and 12 August 2011, respectively, on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, a) the annual cap on revenue from the Group's provision of equipment and parts for production of cement and concrete to the Parent Group for 2011 was RMB50,000,000 and the actual amount incurred was approximately RMB13,613,253; b) the annual cap on expenditure from the provision of certain cement production related equipment and parts and the provision of the maintenance, repair and installation services to the Group by the Parent Group for 2011 was RMB200,000,000 and the actual amount incurred was approximately RMB138,743,543.

3.3 Mutual Supply of Raw Materials, Products and Services Agreement between the Company and Hengda Hong Kong

On 31 December 2009, the Company entered into a mutual supply of raw materials, products and services agreement with Hengda Hong Kong, pursuant to which: (1) the Group agreed to provide raw materials and products such as limestones, clinkers and cement to Hengda Hong Kong Group;(2) Hengda Hong Kong Group agreed to provide clay, limestones and volcanic ash, cement processing services, transportation services, supply of electricity and water, and other related and ancillary services to the Group.

Under the mutual supply of raw materials, products and services agreement between the Company and Hengda Hong Kong, the price shall be determined in accordance with the following pricing principles: 1) the state-prescribed price; 2) where there is no state-prescribed price, then the relevant state-recommended price; 3) where there is no state-recommended price, then the relevant market price;4) where there is no relevant market price, then the contracted price, which shall be determined by reference to the historical figures for preceding years (if any).

The mutual supply of raw materials, products and services agreement between the Company and Hengda Hong Kong commenced from 1 January 2010 and will end on 31 December 2012 for a term of three years, and will be renewed for a further term of three years upon expiry of the term, subject to the relevant disclosure requirements under the Listing Rules and mutual agreement of the parties. Details of the transaction are set out in the announcement of the Company dated 31 December 2009 on the websites of the Hong Kong Stock Exchange and the Company.

Hengda Hong Kong is a substantial shareholder of Sinoma Hengda, a subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules. Since Sinoma Hengda, a subsidiary of the Company, ceased to be a material subsidiary of the Company from 29 March 2011, the transactions under the mutual supply of raw materials, products and services agreement between the Company and Hengda Hong Kong satisfied the conditions of an exemption under Rule14A.31(9)(b)(ii) of the Listing Rules, and was exempted from all the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules from 8 April 2011. Details are set out in the announcement of the Company dated 8 April 2011 on the websites of the Hong Kong Stock Exchange.

During the reporting period, a) the annual cap on revenue from the provision of raw materials and products as set out in (1) to Hengda Hong Kong Group by the Group for 2011 was RMB153,180,000 and the actual amount incurred was approximately RMB997,005; b) the annual cap on expenditure from the provision of raw materials and services as set out in (2) by Hengda Hong Kong Group to the Group for 2011 was RMB142,570,000 and the actual amount incurred was approximately RMB8,655,464.

3.4 Mutual Comprehensive Services Agreement between the Company and the Parent

On 31 December 2009, the Company renewed the mutual comprehensive services agreement with the Parent, pursuant to which: (1) the Group agreed to provide the Parent Group with water, electricity and heating supply services; property management and maintenance services; design services; equipment maintenance and repair services and other related and ancillary services; (2) the Parent Group agreed to provide the Group with water, electricity and heating supply services; property management and maintenance services; equipment maintenance and repair services; site preparation, exploration and exploitation services; equipment leasing services; design, consultancy and technology services; transportation services and other related and ancillary services.

Under the mutual comprehensive services agreement, the price shall be determined in accordance with the following pricing principles: 1) state-prescribed price; 2) where there is no state-prescribed price, then the relevant state-recommended price; 3) where there is no state-recommended price, then the relevant market price; 4) where there is no relevant market price, then the contracted price, which shall be determined by reference to the historical figures for preceding years (if any).

The mutual comprehensive services agreement commenced from 1 January 2010 and will end on 31 December 2012 for a term of three years. Upon expiry of the term, the mutual comprehensive services agreement will be renewed for a further term of three years, subject to the relevant disclosure requirements under the Listing Rules and mutual agreement of the parties. Details of the transaction are set out in the announcements of the Company dated 31 December 2009 and 27 September 2010, respectively, on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, a) the annual cap on revenue from the Group's provision of comprehensive services to the Parent Group for 2011 was RMB60,000,000 and the actual amount was approximately RMB7,742,763; b) the annual cap on expenditure from the provision of comprehensive services to the Group by the Parent Group for 2011 was RMB210,000,000 and the actual amount was approximately RMB152,373,053.

3.5 Mutual Supply of Raw Materials and Products Agreement between the Company and the Parent

On 31 December 2009, the Company entered into a mutual supply of raw materials and products agreement with the Parent, pursuant to which: (1) the Group agreed to provide certain raw materials and products such as composite materials, glass fiber products, cement and clinker to the Parent Group; and (2) the Parent Group agreed to provide certain raw materials and other products for production of cement, including but not limited to limestone, ceramics products and pipes to the Group.

Under the mutual supply of raw materials and products agreement with the Parent, the price shall be determined in accordance with the following pricing principles: (a) state-prescribed price; (b) where there is no state-prescribed price, then the relevant state-recommended price; (c) where there is no state-recommended price, then the relevant market price; (d) where there is no relevant market price, then the contracted price, which shall be determined by reference to the historical figures for preceding years (if any).

The mutual supply of raw materials and products agreement commenced from 1 January 2010 and will end on 31 December 2012 for a term of 3 years. Upon expiry of the term, the mutual supply of raw materials and products agreement with the Parent will be renewed for a further term of three years, subject to the requirements under the Listing Rules and mutual agreement of the parties. Details of the transaction are set out in the announcement of the Company dated 31 December 2009 on the website of the Hong Kong Stock Exchange.

The Parent is a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, a) the annual cap on revenue from the provision of raw materials and products to the Parent Group by the Group for 2011 was RMB145,840,000, and the actual amount was approximately RMB76,311,977; b) the annual cap on expenditure incurred for the provision of raw materials and other products for cement production by the Parent Group to the Group for 2011 was RMB96,790,000, and the actual amount was approximately RMB81,149,854.

3.6 The Framework Agreement for the BOOT Project, the CDM Project and the SEEG Sub-Contract Project between the Company and Sinoma Energy Conservation

On 27 September 2010, the Company entered into a framework agreement for the SEEG BOOT Project, the SEEG CDM Project and the SEEG Sub-Contract Project with Sinoma Energy Conservation, pursuant to which, both parties have agreed the following:

- SEEG BOOT Project
  Sinoma Energy Conservation shall, at its own costs, undertake the surplus energy electricity generation project for the cement production lines of the Group. The Group shall purchase electricity generated under the BOOT Project from Sinoma Energy Conservation. All surplus electricity generation facilities constructed by Sinoma Energy Conservation under the BOOT Project shall be assigned to the Group for free after the end of the operation period, which is estimated to be 10 years.

- SEEG CDM Project
  Conditional upon the entering into the implementation agreements for the BOOT project by Sinoma Energy Conservation and any member of the Group, Sinoma Energy Conservation shall be responsible for the whole CDM project for the Group. Under the CDM project, Sinoma Energy Conservation shall, at its own costs, undertake the technology consultation and research and development of the CDM project, the registration of such project with the CDM executive board, and the application for the issue of CERs by CDM executive board. Upon selling of CERs derived from the CDM project by the Group, the Group shall pay Sinoma Energy Conservation part of revenue derived thereunder at a rate to be agreed by the parties.

- SEEG Sub-Contract Project
  In order to meet the demand for surplus energy electricity generation services under the contracting project for our cement production lines, the Group may sub-contract its surplus energy electricity generation business through a tender process. If the proposals tendered by Sinoma Energy Conservation are better or no less favourable than those offered by other suppliers participating in the tender, the Group shall consider to sub-contract the surplus energy electricity generation businesses to Sinoma Energy Conservation, pursuant to which, Sinoma Energy Conservation shall undertake, among others, the engineering design, equipment procurement and commissioning of such project.

- Equipments and Parts Supply Project
  In order to meet the demand from Sinoma Energy Conservation for equipments and parts, the Group will supply Sinoma Energy Conservation with the relevant equipments and parts through tender process or other fair and reasonable manners agreed by both parties.

Under the framework agreement for the BOOT project, the CDM project and the SEEG sub-contract project, the prices shall be determined in accordance with the following pricing principles: (a) state-prescribed price; (b) where there is no state-prescribed price, then the relevant state-recommended price; (c) where there is no state recommended price, then the relevant market price; (d) where there is no relevant market price, then the contracted price or such price as determined through tender process.

The framework agreement for the BOOT project, the CDM project and the SEEG sub-contract project commenced from 1 January 2011 and will end on 31 December 2012 for a term of two years. Upon expiry of the term, the agreement will, subject to the applicable reporting, announcement, annual review, and independent shareholders' approval requirements under the Listing Rules, be renewed for a further period of three years.

Details of the transaction are set out in the announcement of the Company dated 27 September 2010 on the website of the Hong Kong Stock Exchange.

Sinoma Energy Conservation is a subsidiary of the Parent, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, under the framework agreement for the BOOT project, the CDM project and the SEEG sub-contract project, a) the annual cap on revenues from transactions for 2011 was RMB100,000,000, and the actual amount was approximately RMB3,222,222; b) the annual cap on expenditure for the transactions for 2011 was RMB900,000,000, and the actual amount was approximately RMB457,522,807.

The Directors (including the Independent non-executive Directors) confirmed with the Board that they have reviewed the non-exempted continuing connected transactions under 3.1 to 3.6 and confirmed that such transactions have been: (a) entered into in the ordinary and usual course of business of the Group; (b) on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The auditor of the Company has performed certain agreed-upon procedures on above continuing connected transactions and has provided a letter to the Board to report the factual findings as follows:

– The above continuing connected transactions have obtained the approval of the Board;

– The pricing of the continuing connected transactions involving provisions of goods and services by the Group, on a sample basis, are in accordance with the pricing policies of the Company as disclosed in Note 56 to the financial statements;

– The above continuing connected transactions, on a sample basis, have been executed in accordance with the terms of the agreements governing such transactions;

– The continuing connected transactions as disclosed in 3.1 to 3.6 did not exceed the relevant annual caps as disclosed in the respective announcements of the Company.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note 56 to the financial statements fall into the category of connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions.

PRE-EMPTIVE RIGHT

There is no pre-emptive right provision under the Articles of Association and the PRC laws which would oblige the Company to offer new shares to its existing shareholders on a pro-rata basis.

TAXATION

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No.897), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H Share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. Pursuant to Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa [1993] No. 045 Document issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. Shareholders may apply for tax refund in accordance with relevant provisions including taxation agreements/arrangement after receiving dividends. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the Company's H Shares.

MATERIAL LEGAL MATTERS

On 15 November 2011, Sinoma Cement was summoned by Guangzhou Intermediate People's Court to attend the trial of the proceedings against it initiated by HE Jinxiu in respect of the contractual disputes on the Sino-foreign equity joint ventures. HE Jinxiu claimed that Sinoma Cement had breached the relevant agreement and sought for indemnification for his loss in an amount of approximately RMB163.86 million.

The Company has conducted preliminary assessment on the proceedings. It is expected that the lawsuit will not have a material adverse impact on the financial position of the Company. Currently, the case is undergoing pre-trial preparation procedure, and the trial has not yet commenced.

AUDITORS

SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants Co., Ltd. have been appointed as the Hong Kong auditor and PRC auditor of the Company, respectively, for the year ended 31 December 2011. SHINEWING (HK) CPA Limited has audited the accompanying financial statements that are prepared in accordance with Hong Kong Financial Reporting Standards. These two auditors have been appointed since 16 December 2008.

SUPERVISORY COMMITTEE'S REPORT

During the reporting period, members of the Supervisory Committee actively performed their duties in accordance with the relevant laws and regulations and the requirements of the Articles of Association and effectively supervised the compliance of the convening and decision-making processes of the Board meetings and the implementation procedures with the relevant laws and regulations and the requirements of the Articles of Association, so as to protect the interests of the shareholders and the long-term interests of the Company.

During the reporting period, the Supervisory Committee has convened four meetings. At the fourth meeting of the second session of the Supervisory Committee held on 29 March 2011, the Company's 2010 annual report, the audited financial report, the annual profit distribution proposal and the Supervisory Committee's report were considered and approved. At the fifth meeting of the second session of the Supervisory Committee held on 29 April 2011, the 2011 first quarterly financial statements of the Company were considered and approved. At the sixth meeting of the second session of the Supervisory Committee held on 30 August 2011, the 2011 interim report of the Company was considered and approved. At the seventh meeting of the second session of the Supervisory Committee held on 28 October 2011, the 2011 third quarterly financial statements of the Company were considered and approved. All of the Supervisors attended the aforesaid meetings of the Supervisory Committee. During the reporting period, members of the Supervisory Committee attended all the general meetings of the Company convened during the year and attended the Board meetings in person as non-voting participants during the year, and also reviewed the proposals which have been submitted to the Board for consideration. The Supervisors supervised the Company's major decision-making processes and the performance of duties by the Directors and the senior management by attending such meetings as non-voting participants.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company are committed and diligent in performing their duties, have duly implemented the resolutions of the general meetings, adhered to the lawful operations and cautious decision-making, and contributed greatly to the excellent operating results of the Company.

During the reporting period, the Supervisory Committee regularly reviewed the relevant financial information of the Group and the auditor's report of the Group, and confirmed that the accounts and audit work of the Group were in compliance with the requirements of Accounting Law of the PRC, the accounting system issued by the Ministry of Finance of the PRC and the Hong Kong Financial Reporting Standards and the Supervisory Committee was not aware of any non-compliance.

The Supervisory Committee has duly reviewed the financial report for 2011 audited by the independent auditor with unqualified opinion, and considers that the report accurately, truly and fairly presented the financial position and the results of operations of the Company on a consistent basis.

The Supervisory Committee confirms that the connected transactions between the Company and the controlling shareholder of the Company conducted during the reporting period were fair and reasonable and in the interests of the other shareholders and the Company as a whole. The Directors, president and other senior management of the Company have strictly complied with the principle of diligence, exercised powers delegated by the shareholders diligently and performed all responsibilities, and no abuse of authority and actions that would jeopardize the interests of shareholders and the legal rights of employees of the Company has been identified.

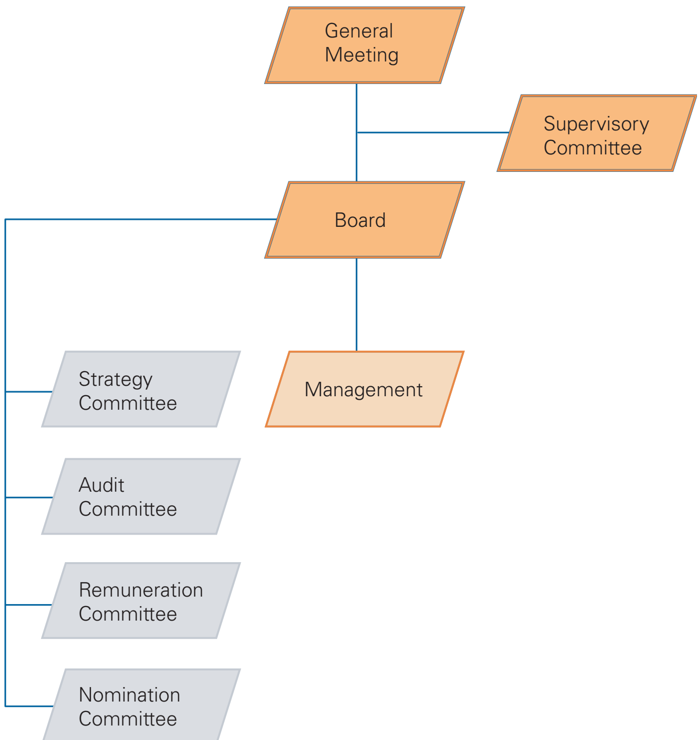
The Supervisory Committee is confident about the development prospects of the Company. In 2012, the Supervisory Committee will continue to perform all its duties to protect the interests of the shareholders in strict accordance with the Articles of Association of the Company and relevant requirements.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE DOCUMENTS

Currently, the standard documents on corporate governance practices of the Company include but are not limited to the following:

1. Articles of Association

2. Rules of Procedures for General Meetings

3. Rules of Procedures for the Board

4. Rules of Procedures for the Supervisory Committee

5. Rules of Procedures for the Strategy Committee

6. Rules of Procedures for the Audit Committee

7. Rules of Procedures for the Remuneration Committee

8. Rules of Procedures for the Nomination Committee

9. Working System for Independent Directors

10. Administrative System for Information Disclosure

11. Administrative System for Connected Transactions

12. Administrative System for Investor Relations

13. Rules of Internal Auditing

14. Internal Control Audit Method

15. Financial Management System

The Board has reviewed the adopted corporate governance documents as stated above and is of the view that the requirements listed in the documents have complied with all the code provisions as set out in the "Code on Corporate Governance Practices" contained in Appendix 14 of the Listing Rules (the "Code") and are consistent with most of the recommended best practices set out therein.

In comparison with the code provisions as set out in the Code, the codes on corporate governance adopted by the Company are even more stringent in the following areas:

1. Other than the Audit Committee, the Remuneration Committee and the Nomination Committee, the Company has also established the Strategy Committee.

2. The Company's Rules of Procedures for the Board requires the independent non-executive Directors to review, at least once a year, the information provided by the Company's controlling shareholder in relation to the compliance with and enforcement of the non-competition agreement.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2011, the Company has fully complied with code provisions as set out in the Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, and requests that securities transactions by Directors and Supervisors be conducted according to the Model Code, which is also applicable to the senior management of the Company. After the special inquiries conducted by the Company, all Directors and Supervisors have confirmed that they have fully complied with the Model Code during the entire year of 2011.

BOARD OF DIRECTORS

The composition of the Board and relevant information are set out below:

Name	Position	Gender	Age	Term
TAN Zhongming	Chairman of the Board and executive Director	Male	58	26 July 2010 to 25 July 2013
LI Xinhua	Executive Director	Male	47	26 July 2010 to 25 July 2013
	Vice chairman of the Board			26 July 2010 to 20 May 2011
	President			4 January 2011 to 25 July 2013
YU Shiliang	Vice chairman of the Board	Male	57	20 May 2011 to 25 July 2013
	Non-executive Director			26 July 2010 to 25 July 2013
LIU Zhijiang	Non-executive Director	Male	54	26 July 2010 to 25 July 2013
CHEN Xiaozhou	Non-executive Director	Male	50	26 July 2010 to 12 July 2011
ZHANG Hai	Non-executive Director	Male	53	12 July 2011 to 25 July 2013
TANG Baoqi	Non-executive Director	Male	52	12 July 2011 to 25 July 2013
LEUNG Chong Shun	Independent non-executive Director	Male	46	26 July 2010 to 25 July 2013
SHI Chungui	Independent non-executive Director	Male	71	26 July 2010 to 25 July 2013
LU Zhengfei	Independent non-executive Director	Male	48	26 July 2010 to 25 July 2013
WANG Shimin	Independent non-executive Director	Male	63	26 July 2010 to 25 July 2013
ZHOU Zude	Independent non-executive Director	Male	66	26 July 2010 to 25 July 2013

The Board is the standing decision-making body of the Company and it leads and supervises the Company in a responsible and efficient manner. All the Directors are obliged to act in the best interest of the Company. Members of the Board understand that they take jointly and severally responsibility to all the Shareholders for the management, supervision and operation matters of the Company.

The Board mainly decides on the following matters:

- Formulating of the Company's strategy and policy;
- Establishing of the management's target;
- Supervising the performance of the management; and
- Ensuring the Company's implementation of a prudent and effective monitoring structure to assess and manage risks.

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial status of the Company and the results and cash flow during the relevant period. When preparing the financial statements for the year ended 31 December 2011, the Board has selected and applied appropriate accounting policies and made prudent, fair and reasonable judgment and estimates to prepare the financial statements on the basis of going concern. The Board is responsible for maintaining the accounting records properly; such records should be able to reasonably and accurately disclose the financial information of the Company at any time. The Board will convene meetings at least four times per year and whenever important decisions have to be made.

During the reporting period, Mr. TAN Zhongming served as the chairman of the Board, Mr. LI Xinhua served as the president. Chairman of the Board and president are two different positions which are clearly separated. The chairman shall not concurrently serve as the president. The division of the responsibilities between the chairman of the Board and the president shall be made clearly in the written terms of reference. The chairman of the Board is responsible for managing the operation of the Board while the president is responsible for the business operation of the Company. The Articles of Association has described in detail the respective responsibilities of the chairman of the Board and the president. Senior management of the Company, other than the Directors and the Supervisors, is responsible for the daily business operation of the Company. Their duties have been set out in the section of "Biography of Directors, Supervisors and Senior Management" in this annual report.

All the Directors are required to declare any direct or indirect interest involved in any matter or transaction discussed at the Board meetings, and the Directors will need not to be present at the meeting when appropriate. Directors are also requested by the Company to provide details in relation to any connected transactions that they or their respective associates had entered into with the Company or its subsidiaries for each financial period and make confirmations regarding the same.

A total of thirteen Board meetings were convened during 2011. The attendance rate of the individual members in the Board meetings is as follows:

Directors	**Number of Attendance**	**Number of Attendance by proxy**	**Attendance Rate**
TAN Zhongming	13	0	100%
YU Shiliang	13	0	100%
LIU Zhijiang	13	0	100%
ZHANG Hai	6	0	100%
LI Xinhua	13	0	100%
TANG Baoqi	6	0	100%
LEUNG Chong Shun	12	1	92%
SHI Chungui	13	0	100%
LU Zhengfei	13	0	100%
WANG Shimin	11	2	85%
ZHOU Zude	13	0	100%

Notes:

1. Mr. CHEN Xiaozhou ceased to be the non-executive Director of the Company from 12 July 2011. During his term of office, Mr. CHEN attended six meetings of the Board in person, and attended one meeting of Board by proxy.

2. Mr. ZHANG Hai and Mr. TANG Baoqi were appointed as the non-executive Directors of the Company on 12 July 2011. Mr. ZHANG and Mr. TANG attended all of the six meetings of the Board after their appointment.

Since the incorporation of the Company on 31 July 2007, the Board has been complying with Rule 3.10(1) of the Listing Rules, which requires a minimum of three independent non-executive directors, and Rule 3.10(2), which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

In accordance with the requirements of the Listing Rules, the Company made the following confirmation as to the independence of the independent non-executive Directors: the Company has accepted the confirmation letter from each of the independent non-executive Directors and confirms their compliance with the independence requirements as set out in Rule 3.13 of the Listing Rules. The Company also is of the view that all the independent non-executive Directors are independent parties.

Each of the independent non-executive Directors has a term of office of three years and is eligible for re-election and re-appointment subject to a maximum period of six years. Independent non-executive Directors shall not be removed without reasonable ground prior to the expiry of their terms of office. The Company shall make special disclosure for any early removal of any independent non-executive Director.

Other than their duties in the Company, the Directors, the Supervisors and senior management do not have any relationship among themselves in financial, business, family or other material aspects.

Other than their service contracts, the Directors and the Supervisors do not have any direct or indirect personal effective interest in the contracts of significance entered into by the Company or any of its subsidiaries in 2011.

The Company has established the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee under the Board.

STRATEGY COMMITTEE

Our Strategy Committee comprises Mr. TAN Zhongming, Mr. YU Shiliang, Mr. LIU Zhijiang, Mr. LI Xinhua and Mr. ZHOU Zude with Mr. TAN Zhongming as the chairman. Mr. CHEN Xiaozhou ceased to be a member of the Strategy Committee on 12 July 2011 when he resigned as the non-executive director of the Company.

The Strategy Committee considers, evaluates, reviews and recommends to the Board the proposed major investments, acquisitions and disposals and conducts post-investment evaluation of investment projects, and reviews and considers the overall strategic direction of the Company and business developments of the Company.

During the reporting period, the Strategy Committee convened one meeting. All the members of the Committee have attended the meeting except that Mr. CHEN Xiaozhou and Mr. ZHOU Zude respectively authorised Mr. YU Shiliang and Mr. TAN Zhongming to attend the meeting and exercise the voting rights on their behalf. At the first meeting of the second session of the Strategy Committee, the Work Report of the President of China National Materials Company Limited for 2010 was approved and the financial budget (draft) and investment budget (draft) of the Company for 2011 was considered and then submitted to the ninth meeting of the second session of the Board for approval.

AUDIT COMMITTEE

The Audit Committee comprises Mr. LU Zhengfei, Mr. WANG Shimin and Mr. LIU Zhijiang with Mr. LU Zhengfei as the chairman.

The primary duty of the Audit Committee is to examine and supervise the financial reporting procedures and internal control system of the Company and give advice to the Board.

From the date of the Company's listing on the Hong Kong Stock Exchange and up to 31 December 2011, the Company has been fully in compliance with the requirements of Rule 3.21 of the Listing Rules.

According to the requirements of the Rules of Procedures of the Audit Committee, a total of six meetings were held for the year. At the second meeting of the second session of the Audit Committee held on 17 January 2011, the audit quality assessment report on 2009 financial report and 2010 interim review report prepared by SHINEWING (HK) CPA Limited, the audit plan for 2010 financial report prepared by SHINEWING (HK) CPA Limited as well as 2010 internal audit summary report and 2011 internal audit plan prepared by the Company were considered and approved. At the third meeting of the second session of the Audit Committee held on 24 March 2011, the resolution regarding the submission of 2010 audited financial report to the Board was considered and approved. At the fourth meeting of the second session of the Audit Committee held on 27 April 2011, the resolution regarding the submission of 2011 Q1 financial statements to the Board was considered and approved. At the fifth meeting of the second session of the Audit Committee held on 16 May 2011, the resolution regarding the re-appointment of ShineWing Certified Public Accountants Co., Ltd. and SHINEWING (HK) CPA Limited as domestic and international auditors, respectively, for 2011 was considered and approved. At the sixth meeting of the second session of the Audit Committee held on 15 August 2011, the report prepared by SHINEWING (HK) CPA Limited on the 2011 interim financial report was heard and the resolution regarding the submission of 2011 interim financial report to the Board was considered and approved. At the seventh meeting of the second session of the Audit Committee held on 25 October 2011, the resolution regarding the submission of 2011 Q3 financial statements to the Board was considered and approved. All the three members have attended the above meetings.

REMUNERATION COMMITTEE

The Remuneration Committee comprises Mr. SHI Chungui, Mr. LEUNG Chong Shun and Mr. LU Zhengfei with Mr. SHI Chungui as the chairman.

The primary duties of the Remuneration Committee include the determination and reviewing the specific remuneration package and performance of the Directors and senior management of the Company according to the remuneration and performance management policy and structure for Directors and senior management established by the Board.

During the reporting period, the second meeting of the second session of the Remuneration Committee was held on 18 March 2011, all the members of the Committee have attended this meeting. At the meeting, (1) the resolution regarding the payment proposal on performance-linked remuneration for the Company's senior management for the year 2010 was heard, considered and approved; (2) the resolution regarding the administrative rules on remuneration of senior management was heard, considered and approved; and (3) the resolution regarding the remuneration proposal for the Company's senior management for the year 2011 was heard, considered and approved.

NOMINATION COMMITTEE

During the reporting period, the Nomination Committee comprises Mr. YU Shiliang, Mr. TAN Zhongming, Mr. LIU Zhijiang and Mr. LI Xinhua with Mr. YU Shiliang as the chairman. On 27 March 2012, the Nomination Committee re-elected its members, as a result of which, the committee is comprised of three members, namely Mr. TAN Zhongming, Mr. SHI Chungui and Mr. ZHOU Zude and chaired by Mr. TAN Zhongming.

The Nomination Committee is responsible for reviewing the structure, numbers and composition of the Board and making recommendations to the Board in relation to any changes; and making recommendations to the Board in respect of the candidates for Directors and Supervisors who are not employee representatives in the wholly-owned companies, holding companies and associated companies of the Company.

During the reporting period, the Nomination Committee held four meetings. At the third meeting of the second session of the Nomination Committee held on 25 February 2011, TAN Zhongming, YU Shiliang, LI Xinhua, LIU Ying and XUE Zhongmin were recommended to be directors of the board of Sinoma Science & Technology; XU Weibing, XU Hongwei and YU Qi were recommended to be supervisors of the supervisory committee of Sinoma Science & Technology; LI Xinhua was designated to be the director of the wholly-owned subsidiaries including Sinoma Cement, CTG and Ningxia Building Materials Group Company Limited; and LI Xinhua was recommended to be the director of the subsidiaries of and associates of the Company, including Sinoma Advanced Materials, Sinoma Jinjing, Saima Industry, Qilianshan Holdings, Qilianshan Co. and BBMG Corporation. At the fourth meeting of the second session of the Nomination Committee held on 9 June 2011, TAN Zhongming, LIU Zhijiang, LI Xinhua, WANG Wei, WU Shoufu and YU Xingmin were recommended to be candidates of directors of the fourth session of the board of Sinoma International; and ZHANG Jiang and QU Xiaoli were recommended to be candidates of supervisors of the fourth session of the supervisory committee of Sinoma International. At the fifth meeting of the second session of the Nomination Committee held on 3 August 2011, LI Xinhua, TUO Licheng, LIU Jibin, WEI Qixin and CAI Junheng were recommended to be candidates of directors of the board of Qilianshan Holdings; QU Xiaoli and WANG Yingcai were recommended to be candidates of supervisors of the supervisory committee of Qilianshan Holdings; LI Xinhua, TUO Licheng, LIU Jibin, WEI Qixin and CAI Junheng were recommended to be candidates of directors of the sixth session of the board of Qilianshan Co.; and QU Xiaoli and WANG Yingcai were recommended to be candidates of supervisors of the sixth session of the supervisory committee of Qilianshan Co.. At the sixth meeting of the second session of the Nomination Committee held on 31 October 2011, LIU Zhijiang, GU Chao, YANG Yurong, DUAN Zhichun, KONG Fanyun, LIU Fengshan and ZHU Faliang were recommended to be directors of the second session of the board of Sinoma Mining; and QU Xiaoli and WANG Yingcai were recommended to be supervisors of the second session of the supervisory committee of Sinoma Mining. All the members of the Nomination Committee attended the above four meetings.

The Company appoints new Directors according to a transparent procedure which has been duly formulated after prudent consideration. The nomination of the candidates for directorship is usually submitted as a resolution by the Board to the general meeting of the Company. The Shareholders and the Supervisory Committee may nominate candidates for directorship according to the Articles of Association.

AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants Co., Ltd. were appointed as the Hong Kong auditor and PRC auditor of the Company for 2011, respectively, and their remuneration was determined by the Audit Committee of the Board. The Company's annual audit fees for 2011 amounted to RMB 8.60 million including RMB0.5 million for interim report.

SHAREHOLDERS' RIGHT

As the owners of the Company, shareholders of the Company are entitled to the various rights stipulated by laws, administrative rules and regulations and the Articles of Association. The Shareholders' general meeting is the supreme mechanism possessing the greatest power, through which shareholders exercise their power. During the reporting period, the Company held two general meetings.

The Board and senior management understand that they are representing the overall interest of all the Shareholders and their first priority is to maintain the stable and continuous growth of shareholders' value and investment return in the long run and enhance the competitiveness of the business.

According to the Articles of Association, when shareholder(s) who solely or jointly hold(s) 10% or more (inclusive) of the Company's outstanding voting shares demand to convene an extraordinary general meeting in writing (the number of shares held is determined on the day on which the shareholder lodges his demand in writing), the extraordinary general meeting shall be convened within two months. The relevant documents shall state clearly the purpose of such meeting and shall be sent to all the shareholders. Shareholders may suggest to the Board with the procedure for enquiry and propose such procedure in a general meeting.

INTERNAL CONTROL SYSTEM

In order to fulfill the relevant regulatory requirements of the places where the Company is listed and strengthen the internal control management of the Company, the Company has established a range of internal control systems, including the following documents such as "Administrative System for Information Disclosure", "Administrative System for Connected Transactions", "Administrative System for Investor Relations", "Working System for Independent Directors" and "Financial Management System", "Rules of Internal Auditing" and "Internal Control Audit Method", thus establishing the internal control system.

The Directors have reviewed the effectiveness of the internal control systems of the Company and its subsidiaries according to code provision C.2.1 of the "Code on Corporate Governance Practices". The review covered financial control, operation control and compliance control and risk management function control.

REVIEW FOR THE YEAR

The Board has analyzed in detail the procedure, method and assessment results of the above internal control review by reference to the relevant requirements of the Listing Rules, and no significant problem has been identified. The internal control system can safeguard the safety and integrity of the assets, and enhance the operating efficiency and effectiveness of the Company. The Company maintained appropriate information, records and programme, guaranteed the timeliness, relevance and reliability of the Company's financial statements and relevant information. It also ensured that relevant information has been sufficiently disclosed in these financial statements and applicable law and regulations have been complied with.

During the reporting period, the Company and its subsidiaries continued to promote the construction of their all-round risk management systems. The all-round risk management system at the headquarter of the Company had been put into operation. The two subsidiaries, namely Sinoma International and CTG, had commenced construction of all-round risk management systems for their subsidiaries upon completion of establishment of such risk management systems at their headquarters, while the other subsidiaries of the Company also made steady progress in the establishment of such systems. The headquarter of the Company carried out examination and made arrangements regarding the establishment of all-round risk management systems for its listed and unlisted subsidiaries, to achieve seamless integration of comprehensive risk management with daily operation management, so as to improve the risk management and internal control of its subsidiaries and to strengthen its capability of sustainable development.

INTERNAL AUDIT UNIT

The Company has set up an independent audit department which is responsible for the internal auditing.

During the reporting period, leveraging on the internal audit unit, staff members, relevant systems and work scope already in place as well as the audit informationization technology, the Company sought to establish a new vertical internal audit management system. With the audit system focusing on risk management, the Company pushed ahead the routine audit of economic responsibilities, audit of strategy implementation and audit of foreign currency management, to enhance the achievements in respect of the transformation of internal audit to risk monitoring management.

Firstly, the Company has stepped up efforts in the establishment of a new vertical internal audit management system. The Company developed the frame-work for the establishment of such a new system, highlighting the principles of "vertical leadership, standard management, consultative appointment and dual responsibility", to facilitate the transformation of the internal audit system from separate management to centralized management.

Secondly, the Company has pushed ahead the audit of economic responsibilities. In strict compliance with the Circular on Printing and Distributing the Suggestions on Implementing the Auditing Regulations on Economic Responsibility in the Main Leaders from the Party and the Government and the Leaders in State-owned Enterprises (《關於印發貫徹實施黨政主要領導幹部和國有企業領導人員經濟責任審計規定意見的通知》) jointly promulgated by Central Commission for Discipline Inspection of the CPC, Organization Department of the CPC Central Committee and SASAC, the Company carried out audit of economic responsibility covering units at all levels, making breakthrough in both the depth and width of internal audit.

Thirdly, the Company has enhanced the construction of all-round risk management system and risk internal audit. Leveraging on the experiences and achievements from pilot implementation, the Company commenced promotion of the risk internal audit system in all aspects by deepening and broadening the coverage of the system, and has practically covered all entities and businesses of the Group. The Company has strengthened the internal audit of the decision-making mechanism, the system of public bidding, the process of material procurement, the management of suppliers, the execution of the "three wastes" management system and the division of management authority over working capital.

Fourthly, the Company has attached great emphasis on the role of internal audit in corporate governance. As the secretarial department to the Audit Committee of the Board, the audit department has duly performed its duties and held six meetings pursuant to the rules of procedures for the Audit Committee. As the appointed supervisory department, the audit department has attended the meetings of the supervisory committees of all the subsidiaries and effectively fulfilled duties of supervision, by combining supervision with internal audit. In strict compliance with the requirements of corporate governance system, the internal audit departments of our listed subsidiaries duly and effectively carried out self-assessment on internal control of listed companies in accordance with Guidelines for Internal Control of Listed Companies issued by Shanghai Stock Exchange and Shenzhen Stock Exchange and Implementation Guidelines for Enterprise Internal Control and Assessment Guidelines for Enterprise Internal Control promulgated by the five ministries and committees including the Ministry of Finance.

Fifthly, combining the management difficulties and hot topics, the Company has strengthened project-specific audit, carrying out audit on foreign currency management and strategy implementation. The Company examined the implementation of strategies through strategic audit, thereby to have an accurate and full understanding of the status of strategy implementation. Through audit on foreign currency management, the Company communicated the nation's policies regarding foreign currency management, exchanged experiences and made advices in respect of foreign currency management, to facilitate standardized and scientific foreign currency management.

Sixthly, sticking to the principles of "implementing rectification and strict rectification", the Company has reinforced audit rectification. The Company has developed a detailed rectification plan to delegate relevant responsibilities to particular person, so as to fully and effectively translate the audit result into audit achievement. The Company spared no efforts to implement audit rectification by completing requisite procedures, perfecting relevant systems and internal control process as well as establishing rigid mechanism regarding the execution of such systems.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

During the reporting period, the Group communicated with its investors and shareholders in a pro-active, honest, open and fair manner through numerous official channels including holding shareholders' general meetings and results announcement meetings etc., to ensure fair disclosure of the Group's performance and business and to make comprehensive and transparent reports.

Shareholders' general meetings not only make decisions on major matters of the Group, but also provide direct communication channels among the Directors, the management and the shareholders. Therefore, the Company highly value shareholders' general meetings and send notices of such meetings 45 days prior to the meetings which set out the procedures for voting by poll and the rights of shareholders to demand to vote by poll in accordance with the Listing Rules. During the reporting period, the Company held two shareholders' general meetings at which major matters of the Company were considered (such as profit distribution and appointment of additional directors etc.

The Company highly values investor relations and has set up a special telephone number and electronic mail box for investors. During the year, the Company received 611 visits from investment organizations and dealt with more than 8,000 correspondences from investors, participated in five large investor summits organized by Merrill Lynch, UBS, BOCI, CLSA, Shenyin Wanguo etc.; and ran two non-deal roadshows and six reverse roadshows. Through contacts with the investors, investors have timely full understanding of various financial and operating information of the Company and its latest development.

The Company issues annual report and interim report for despatching to all shareholders. The Company also publishes its announcements, circulars and news releases on its website at www.sinoma-ltd.cn.

To provide more effective channels of communication, the Company updates its website from time to time and releases corporate information and other related financial and non-financial information on its website in time.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
CHINA NATIONAL MATERIALS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China National Materials Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 229, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
27 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Turnover	8	**50,702,998**	44,497,158
Cost of sales		**(39,905,802)**	(35,605,381)
Gross profit		**10,797,196**	8,891,777
Interest income	10	**161,713**	154,557
Other gains	11	**882,544**	935,600
Selling and marketing expenses		**(1,427,096)**	(1,137,231)
Administrative expenses		**(4,084,073)**	(3,617,472)
Exchange loss	12	**(55,750)**	(104,129)
Other expenses	13	**(84,082)**	(78,283)
Finance costs	14	**(1,437,423)**	(923,744)
Share of results of associates		**129,737**	70,124
Profit before tax		**4,882,766**	4,191,199
Income tax expense	15	**(920,272)**	(781,477)
Profit for the year	16	**3,962,494**	3,409,722
Profit for the year attributable to:			
Owners of the Company		**1,460,567**	1,099,979
Non-controlling interests		**2,501,927**	2,309,743
		3,962,494	3,409,722
Earnings per share – basic and diluted (expressed in RMB per share)	20	**0.409**	0.308

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**3,962,494**	3,409,722
Other comprehensive (expenses) income		
Safety fund set aside	**74,601**	63,433
Utilisation of safety fund	**(54,817)**	(31,922)
Exchange differences arising on translation	**(38,788)**	(1,693)
(Loss) gain on fair value changes of available-for-sale financial assets	**(228,884)**	336,943
Income tax relating to fair value changes of available-for-sale financial assets	**47,912**	(86,325)
Other comprehensive (expenses) income for the year (net of tax)	**(199,976)**	280,436
Total comprehensive income for the year	**3,762,518**	3,690,158
Total comprehensive income attributable to:		
Owners of the Company	**1,328,771**	1,382,068
Non-controlling interests	**2,433,747**	2,308,090
	3,762,518	3,690,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	21	**34,221,741**	28,020,916	18,598,753
Prepaid lease payments	22	**3,070,931**	2,911,975	2,012,672
Investment properties	23	**120,775**	134,436	127,140
Intangible assets	24	**531,809**	619,620	151,717
Mining rights	26	**477,166**	440,015	146,476
Interests in associates	28	**1,266,810**	1,136,414	765,119
Available-for-sale financial assets	29	**2,343,756**	2,576,123	2,167,356
Deposits paid for acquisition of subsidiaries	31	**101,400**	–	632,770
Trade and other receivables	33	**75,846**	72,170	68,424
Other non-current assets		**237,789**	193,760	132,852
Deferred income tax assets	47	**594,351**	447,576	263,018
		43,042,374	36,553,005	25,066,297
Current assets				
Inventories	32	**8,157,322**	5,361,260	4,544,186
Trade and other receivables	33	**15,687,986**	10,438,614	8,414,899
Amounts due from customers for contract work	34	**341,073**	183,628	168,261
Prepaid lease payments	22	**98,648**	89,147	67,447
Derivative financial instruments	30	**3,165**	34,464	13,550
Other current assets		**35,180**	30,146	43,077
Restricted bank balances	35	**1,919,043**	1,257,740	1,561,888
Bank balances and cash	36	**10,157,521**	13,256,593	10,117,728
		36,399,938	30,651,592	24,931,036
Assets classified as held for sale	37	**117,426**	–	–
		36,517,364	30,651,592	24,931,036
Current liabilities				
Trade and other payables	38	**22,730,623**	20,808,017	19,502,079
Dividend payable		**2,498**	–	–
Amounts due to customers for contract work	34	**131,295**	440,889	405,084
Derivative financial instruments	30	**138**	–	648
Income tax liabilities		**606,008**	554,926	204,973
Short-term financing bills	39	**800,000**	400,000	–
Borrowings	40	**13,610,404**	8,178,189	5,469,633
Early retirement and supplemental benefit obligations	41	**44,525**	34,532	20,479
Provisions	43	**41,398**	35,104	–
		37,966,889	30,451,657	25,602,896
Liabilities classified as held for sale	37	**12,038**	–	–
		37,978,927	30,451,657	25,602,896
Net current (liabilities) assets		**(1,461,563)**	199,935	(671,860)
Total assets less current liabilities		**41,580,811**	36,752,940	24,394,437

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
Non-current liabilities				
Trade and other payables	38	**4,120**	1,197	1,438
Derivative financial instruments	30	**775**	3,415	4,586
Corporate bonds	44	**2,487,829**	2,485,545	2,483,381
Medium-term notes	45	**4,352,670**	1,700,000	–
Borrowings	40	**9,641,003**	10,543,743	6,865,443
Provisions	43	**44,874**	31,874	–
Deferred income	46	**446,482**	283,274	334,299
Early retirement and supplemental benefit obligations	41	**301,494**	317,908	142,693
Deferred income tax liabilities	47	**671,641**	733,308	533,514
		17,950,888	16,100,264	10,365,354
NET ASSETS		**23,629,923**	20,652,676	14,029,083
Capital and reserves				
Share capital	48	**3,571,464**	3,571,464	3,571,464
Reserves	49	**7,253,405**	6,216,574	4,754,703
Equity attributable to owners of the Company		**10,824,869**	9,788,038	8,326,167
Non-controlling interests		**12,805,054**	10,864,638	5,702,916
TOTAL EQUITY		**23,629,923**	20,652,676	14,029,083

The consolidated financial statements on pages 64 to 229 were approved and authorised for issuance by the board of directors on 27 March 2012 and are signed on its behalf by:

TAN Zhongming
Director

LI Xinhua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Safety fund *RMB'000* *(Note (i))*	Foreign exchange reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserves *RMB'000* *(Note (ii))*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2010, as originally reported	3,571,464	3,273,160	(942,833)	45,841	48,730	995	1,129,810	(227,170)	1,364,067	8,264,064	5,700,993	13,965,057
Effect of adopting merger accounting for common control combination	–	–	21,034	–	–	–	–	12,762	28,307	62,103	1,923	64,026
At 1 January 2010, as restated	3,571,464	3,273,160	(921,799)	45,841	48,730	995	1,129,810	(214,408)	1,392,374	8,326,167	5,702,916	14,029,083
Profit for the year	–	–	–	–	–	–	–	–	1,099,979	1,099,979	2,309,743	3,409,722
Other comprehensive income (expense) for the year	–	–	–	–	21,893	(721)	260,917	–	–	282,089	(1,653)	280,436
Total comprehensive income (expense) for the year	–	–	–	–	21,893	(721)	260,917	–	1,099,979	1,382,068	2,308,090	3,690,158
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(355,378)	(355,378)
Contributions received from non-controlling interests	–	–	–	–	–	–	–	–	–	–	617,325	617,325
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	2,275,183	2,275,183
Capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	(9,000)	(9,000)
Transactions with non-controlling interests *(Note (vi))*	–	–	–	–	–	–	–	(486,163)	–	(486,163)	325,502	(160,661)
Government contributions *(Note (iii))*	–	–	–	–	–	–	–	624,001	–	624,001	–	624,001
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(102,971)	(102,971)	–	(102,971)
Appropriation to statutory surplus reserve	–	–	–	6,852	–	–	–	–	(6,852)	–	–	–
Capitalisation of reserve *(Note (iv))*	–	–	35,724	–	–	–	–	(35,724)	–	–	–	–
Capital injections in subsidiaries acquired under common control	–	–	44,936	–	–	–	–	–	–	44,936	–	44,936
At 31 December 2010, as restated	3,571,464	3,273,160	(841,139)	52,693	70,623	274	1,390,727	(112,294)	2,382,530	9,788,038	10,864,638	20,652,676
At 1 January 2011, as restated	**3,571,464**	**3,273,160**	**(841,139)**	**52,693**	**70,623**	**274**	**1,390,727**	**(112,294)**	**2,382,530**	**9,788,038**	**10,864,638**	**20,652,676**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,460,567**	**1,460,567**	**2,501,927**	**3,962,494**
Other comprehensive income (expense) for the year	**-**	**-**	**-**	**-**	**16,043**	**(12,797)**	**(135,042)**	**-**	**-**	**(131,796)**	**(68,180)**	**(199,976)**
Total comprehensive income (expense) for the year	**-**	**-**	**-**	**-**	**16,043**	**(12,797)**	**(135,042)**	**-**	**1,460,567**	**1,328,771**	**2,433,747**	**3,762,518**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(609,745)**	**(609,745)**
Contributions received from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,410**	**39,410**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,284**	**17,284**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,012)**	**(11,012)**
Capital reduction of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(678)**	**(678)**
Internal group re-organisation *(Note (v))*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(79,705)**	**-**	**(79,705)**	**79,705**	**-**
Transactions with non-controlling interests *(Note (vii))*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,489)**	**-**	**(18,489)**	**(8,295)**	**(26,784)**
Government contributions *(Note (iii))*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**93,160**	**-**	**93,160**	**-**	**93,160**
Dividend recognised as distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(142,859)**	**(142,859)**	**-**	**(142,859)**
Merger reserves arising from common control combination	**-**	**-**	**(144,047)**	**-**	**-**	**-**	**-**	**-**	**-**	**(144,047)**	**-**	**(144,047)**
Appropriation to statutory surplus reserve	**-**	**-**	**-**	**23,135**	**-**	**-**	**-**	**-**	**(23,135)**	**-**	**-**	**-**
At 31 December 2011	**3,571,464**	**3,273,160**	**(985,186)**	**75,828**	**86,666**	**(12,523)**	**1,255,685**	**(117,328)**	**3,677,103**	**10,824,869**	**12,805,054**	**23,629,923**

Notes:

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

(ii) Other reserves mainly comprise of reserves from transactions with the non-controlling interests, deemed contributions from owners of the Company and government contributions.

(iii) During the year ended 31 December 2011, national funds of RMB93,160,000 (2010: RMB624,001,000) are contributed by the PRC Government to the Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

Pursuant to the requirements of the relevant notice, the national funds are designated as capital contribution and vested solely with the PRC Government. They are non-repayable and can be converted to share capital of the entities receiving the funds upon approval by their shareholders and completion of other procedures.

(iv) During the year ended 31 December 2010, prior to the effective date of combination of the subsidiaries under common control (note 51), capital reserves of RMB35,724,000 were converted into paid-in capital of those subsidiaries under common control.

(v) Balance represented the difference between the Group's share of net assets in Ningxia Saima Industry Co., Ltd. ("Ningxia Saima") and Ningxia Buildings Materials Group Co., Ltd. ("Ningxia Buildings Materials") before and after the internal reorganisation as further detail in note 59(a)(viii).

(vi) During the year ended 31 December 2010, the Group increased its investment in Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement") through acquiring equity interest held by non-controlling interests and additional contribution to Tianshan Cement at a premium price to the net assets value of Tianshan Cement. In aggregate, the Group recorded a reduction in share of net assets value of RMB486,163,000 through payments to non-controlling interests of RMB149,664,000 and transfer of an associate with a net carrying amount of RMB10,997,000 to non-controlling interests.

(vii) During the year ended 31 December 2011, the Group paid RMB26,784,000 to acquire additional interests in non wholly-owned subsidiaries with a carrying amount of non-controlling interests prior to the acquisition of the additional interests of RMB8,295,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before tax	**4,882,766**	4,191,199
Adjustments for:		
Allowance for inventories	**78,537**	17,303
Amortisation of intangible assets	**13,859**	35,286
Amortisation of mining rights	**31,085**	48,587
Amortisation of prepaid lease payments	**95,034**	80,403
Depreciation of property, plant and equipment and investment properties	**2,211,007**	1,697,201
Depreciation of investment properties	**7,668**	9,539
Dividend income on available-for-sale financial assets	**(24,783)**	(29,932)
Gain on bargain purchases	**–**	(70,782)
Gain on debts restructuring	**(1,971)**	(12,157)
Finance costs	**1,437,423**	923,744
Foreseeable losses on construction contracts	**123,426**	126,748
Government grants	**(168,773)**	(207,134)
Impairment loss recognised in respect of property, plant and equipment	**141,563**	378,995
Impairment loss recognised in respect of intangible assets	**114,352**	–
Impairment loss recognised in respect of trade receivables	**248,603**	113,431
Impairment loss recognised in respect of other receivables	**31,188**	21,029
Impairment loss recognised in respect of loan receivables	**6,201**	5,507
Interest income	**(161,713)**	(154,557)
Net change in fair values of derivative financial instruments	**33,367**	(22,733)
Net gain arising from foreign currency forward contracts	**(4,707)**	(54,435)
Net loss arising from interest rate swap contracts	**9,500**	5,974
Net gain on disposal of property, plant and equipment	**(24,262)**	(24,683)
Net gain on disposal of prepaid lease payments	**(1,745)**	(7,806)
Gain on disposal of a subsidiary	**(7,322)**	–
Loss on disposal of available-for-sale financial assets	**2,825**	–
Loss on written off of intangible assets	**–**	1,730
Loss on written off of mining rights	**–**	394
Reversal of allowance for inventories	**(9,150)**	(3,563)
Safety fund set aside	**74,601**	63,433
Cash-settled share based payments	**1,127**	316
Share of results of associates	**(129,737)**	(70,124)
Utilisation/amortisation of government grants	**(175,417)**	(87,276)
Waiver on other payables	**(4,788)**	(8,525)
Operating cash flows before movements in working capital	**8,829,764**	6,967,122
Increase in inventories	**(2,848,674)**	(462,192)
Increase in trade and other receivables	**(7,150,347)**	(1,288,096)
Increase in contracts work-in-progress	**(590,465)**	(106,310)
Increase in other current and non-current assets	**(49,063)**	(11,477)
Increase (decrease) in trade and other payables	**1,734,695**	(171,272)
Increase in provisions	**19,294**	66,978
(Decrease) increase in early retirement and supplemental benefit obligations	**(6,421)**	27,198
Decrease in safety fund	**(54,817)**	(31,922)
Cash generated (used in) from operations	**(116,034)**	4,990,019
Income tax paid	**(1,037,570)**	(623,379)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(1,153,604)**	4,366,640

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(7,160,151)**	(7,266,486)
Increase in investments in associates		**(4,000)**	(868,257)
Purchase of prepaid lease payments		**(308,501)**	(460,547)
Purchase of mining rights		**(68,168)**	(68,643)
Receipts from net gain arising from foreign currency forward contracts		**–**	54,435
Purchase of investment properties		**(3,271)**	(21,022)
Purchase of available-for-sale financial assets		**(3,949)**	(30,756)
Decrease in loan receivables		**3,883**	10,334
Purchase of intangible assets		**(31,749)**	(30,099)
Payments for net loss arising from interest rate swap contracts		**–**	(5,974)
Prepayment for acquisition of a subsidiary		**(101,400)**	–
Net cash inflow on disposal of a subsidiary	52	**26,120**	–
(Increase) decrease in restricted bank balances		**(661,303)**	306,148
Payments for common control business combination		**(144,047)**	–
Interest received on bank deposits and loan receivables		**161,713**	154,557
Proceeds from disposals of property, plant and equipment		**485,179**	224,693
Dividends received on available-for-sale financial assets		**24,783**	29,932
Dividends received from associates		**3,341**	10,839
Net cash (outflow) inflow on acquisition of subsidiaries	50	**(63,998)**	744,436
Settlement of interest rate swaps contracts		**(9,363)**	–
Proceeds from disposals of available-for-sale financial assets		**16,907**	–
Proceeds from disposals of intangible assets		**495**	–
Proceeds from disposals of prepaid lease payments		**41,172**	49,675
NET CASH USED IN INVESTING ACTIVITIES		**(7,796,307)**	(7,166,735)
FINANCING ACTIVITIES			
Proceeds from new borrowings		**16,126,176**	13,905,904
Government grants received		**499,149**	243,385
Contributions received from non-controlling interests		**39,410**	617,325
Repayments of borrowings		**(11,631,690)**	(9,518,563)
Repayments of other payables		**–**	(338,574)
Interest paid		**(1,520,716)**	(741,727)
Dividends paid to non-controlling interests		**(576,342)**	(334,069)
Dividends paid		**(140,361)**	(102,971)
Gross proceeds from issuance of medium-term notes		**2,660,000**	1,700,000
Government contributions		**73,720**	624,001
Payments for acquisition of additional equity interests in subsidiaries		**(26,784)**	(149,994)
Capital reduction of a subsidiary		**(678)**	(9,000)
Capital injection to subsidiaries under common control by former equity holder		**–**	44,936
Proceeds from short-term financing bills		**800,000**	–
Repayments of short-term financing bills		**(400,000)**	–
Disbursement of incremental costs directly attributable to issuance of medium term notes		**(7,330)**	–
NET CASH FROM FINANCING ACTIVITIES		**5,894,554**	5,940,653

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,055,357)**	3,140,558
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**13,256,593**	10,117,728
Effect of foreign exchange rate changes		**(38,788)**	(1,693)
		10,162,448	13,256,593
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by:			
Bank balances and cash		**10,157,521**	13,256,593
Bank balances and cash included in as assets classified as held for sale	37	**4,927**	–
		10,162,448	13,256,593

1. GENERAL INFORMATION

China National Materials Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 31 July 2007 as a joint stock company with limited liability under the Company Law of the PRC as a successor of China National Non-Metallic Materials Corporation ("CNNMC"), a wholly-owned subsidiary of China National Materials Group Corporation Ltd. ("Sinoma Group"). Its immediate holding company is Sinoma Group. The directors of the Company regard the ultimate holding party as at 31 December 2011 to be Chinese State Owned Asset Supervision and Administration Commission of the State Council. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

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

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in provision of cement equipment and engineering services, production and sales of cement and high-tech materials. Particulars of the Company's principal subsidiaries are set out in Note 58(a).

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB1,461,563,000 as at 31 December 2011.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2011 by taking into consideration the followings:

- On 19 January 2012, Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement"), a subsidiary of the Company listed on the Shenzhen Stock Exchange of the PRC issued 100,000,000 new shares to the public investors under an open offer arrangement (the "Open Offer") of which 9,870,000 new Shares were taken up by the Group. Net proceeds after deduction of relevant issuance expenses and the portion subscribed by the Company of approximately RMB1,729,361,000 were raised. Details of which are set out in note 58; and

- At 31 December 2011, the Group has undrawn borrowings facilities available for immediate use and which will not be expiring in the next twelve months from 31 December 2011 of approximately RMB9,057,422,000. Details of which are set out in note 40(g).

With the net proceeds from the Open Offer and on the basis that the undrawn banking facilities will provide a cash inflow with a view to improve its working capital position, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2011. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any necessary adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. BASIS OF PREPARATION AND PRESENTATION *(Continued)*

2.2 Adoption of merger accounting

As disclosed in note 51, the Group acquired equity interests in certain entities from Sinoma Group during the current year and these business combinations were accounted for as business combinations under common control in accordance with Accounting Guideline 5 Megar Accounting for Common Control Combinations. The consolidated financial statements incorporate the financial information of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter. Accordingly, comparative figures were restated. The impact on the consolidated reserves of the Group arising from the common control combination is disclosed in note 51 to the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvement to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standards ("HKAS 24") (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC*) – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC*) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

* IFRIC represents International Financial Reporting Interpretations Committee

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects:

(a) HKAS 24 (as revised in 2009) has changed the definition of a related party. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) has no significant impact to the disclosures in the consolidated financial statements.

(b) In addition, HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government entities. The Company and its subsidiaries are government-related entities as defined in HKAS 24 (as revised in 2009). Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balance (including commitments) with (a) the PRC government that ultimately has control over the Group and (b) other entities that are controlled, jointly controlled, significantly influenced by the PRC government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years. However, the related party disclosures set out in note 56 have been changed to reflect the application of HKAS 24 (as revised in 2009).

Amendments to HKFRS 3 Business Combinations

(as part of Improvements to HKFRSs issued in 2010)

As part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, as part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with HKFRS 2 Share-based Payment at the acquisition date ('market-based measure'). Such amendments to HKFRS 3 have been applied in the current year and did not result in any changes to the measurement of non-controlling interest of the acquired subsidiaries in the current year, which were measured using the non-controlling interests' proportionate share of net assets.

The application of the other new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRS 3 Business Combinations *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption[1]
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

HKFRS 7 (Amendments) – Transfers of Financial Assets

The amendments to HKFRS 7 extend the disclosure requirements for the transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKAS 32 (Amendments) – Offsetting Financial Assets and Financial Liabilities and Amendments to HKFRS 7 (Disclosures) – Offsetting Financial Assets and Financial Liabilities

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirement) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition under HKFRS 9, entities may made an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial information and HK (SIC) – Interpretation 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The adoption of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad. It applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments – Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the annual period beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKAS 19 (as revised in 2011) Employee Benefits *(Continued)*

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combinations involving entities under common control

When the Group and the acquiree are ultimately controlled by the same parties both before and after the acquisition, such business combinations are referred as "common control combinations".

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first come under the control of the controlling party.

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

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

The comparative amounts in the consolidated financial information are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations other than common control combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments relate to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into the replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, another measurement basis required by another standard.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations other than common control combinations *(Continued)*

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS39, or HKAS37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented as an intangible asset.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For the goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognise in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at the date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recongised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business or a jointly controlled entity (see the accounting policy above).

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure *(Continued)*

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Mining rights

Mining rights represent upfront prepayments made for the mining rights and are expensed in the consolidated income statement on a straight-line basis over the period of the mining rights or when there is impairment, the impairment is expensed in the consolidated income statement.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operation lease are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with high liquidity that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 365 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, dividend payable, short-term financing bills, corporate bonds, medium-term notes and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The fair values of derivatives are classified as non-current assets or liabilities when the remaining maturity of the items are more than one year and current assets or liabilities when the remaining maturity are less than one year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group are not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contracts as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognises the asset to the extent of its continuing involvement and recognise an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial assets, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the fair value of money is material).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

Warranties

Provisions for the expected cost of warranty obligations under the sale contracts are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the foreign exchange reserve (attributable to non-controlling interests as appropriate).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(a) Revenue from cement equipment and engineering services

Revenue from cement equipment and engineering services is recognised under the percentage of completion method when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and, is measured mainly by reference to the contract costs incurred up to the end of the reporting period as a percentage of estimated total costs.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

(b) Other services rendered

Revenue for other services rendered, which includes, among others, technique development, design, consultation and supervision, is recognised when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(c) Sales of products

Sales of products are recognised when significant risks and rewards of ownership of the goods are transferred to the customer and the customer has accepted the products, and all the following conditions are satisfied:

- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(d) Rental income

Rental income under operating leases of buildings is recognised on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(e) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

(g) Penalty income

Penalty income is recognised when the Group's rights to receive payment have been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the income tax currently payable and deferred income tax.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred income tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred income tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provided supplemental pension subsidies to its employees in the PRC who retired prior to 31 December 2006. Such supplemental pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits to set amounts of employees. The liability recognised in the consolidated statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in the consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Employees who retire after 31 December 2006 are not entitled to such supplemental pension subsidies.

(b) Other post-employment obligations

Some Group companies in the PRC provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. These obligations are valued annually by independent qualified actuaries. Employees who retire after 31 December 2006 are not entitled to such post-retirement medical benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(c) Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination and early retirement benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned. Benefits falling due more than 12 months after end of the reporting period are discounted to present value. After 31 December 2006, the Company will not allow early retirement, nor provide such termination benefits to employees who are terminated after then.

(d) Housing funds

All full-time employees of the Group in the PRC are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

Impairment losses on tangible assets, mining rights and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets, mining rights and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets, mining rights and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their presented value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generting unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. FINANCIAL INSTRUMENTS

5.1 Categories of financial instruments

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Financial assets			
Derivative financial instruments	**3,165**	34,464	13,550
Loans and receivables (including cash and cash equivalents)	**22,157,254**	20,847,906	16,016,794
Available-for-sale financial assets	**2,343,756**	2,576,123	2,167,356
	24,504,175	23,458,493	18,197,000
Financial liabilities			
Derivative financial instruments	**913**	3,415	5,234
Amortised cost	**45,145,740**	34,452,895	23,763,278
	45,146,653	34,456,310	23,768,512

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, derivative financial instruments, trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, short-term financing bills, borrowings, corporate bonds and medium-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

(a) Foreign exchange risk

The Group's functional currency is RMB with the majority of transactions settled in RMB. However, foreign currencies are used to collect the Group's revenue from overseas operations and settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings as at 31 December 2011 denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Nigerian Naira ("NGN"), Vietnamese Dong ("VND"), Iraqi Dinar ("IQD"), Egyptian Pound ("EGP"), Albanian Lek ("ALL"), Saudi Arabian Riyal ("SAR"), Azerbaijani Manat ("AZN") and South African Rand ("ZAR"). Analysis of these assets and liabilities by currency are disclosed in Notes 33, 35, 36, 38 and 40.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. During the year, management of the Group has entered into certain foreign currency forward contracts, however they do not qualify for hedge accounting, therefore, they are deemed as financial assets or financial liabilities held for trading. The particulars of the outstanding foreign currency forward contracts as at the end of the reporting period are disclosed in Note 30.

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(a) Foreign exchange risk *(Continued)*

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the end of reporting period are as follows:

	Assets		Liabilities	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
US$	**649,364**	750,376	**(707,917)**	(571,937)
EUR	**428,410**	739,538	**(557,818)**	(597,602)
NGN	**12,095**	24,511	**(27,746)**	(27,693)
VND	**30,670**	36,101	**–**	–
IQD	**45,873**	5,006	**–**	–
EGP	**8,434**	72,658	**–**	–
ALL	**54,322**	64,948	**(14,524)**	(10,446)
SAR	**192,145**	116,505	**–**	–
AZN	**73,864**	77,455	**(9,530)**	(9,634)
ZAR	**26,182**	80,439	**(63,935)**	(77,149)
Others	**180,684**	161,279	**(11,030)**	(47,369)
	1,702,043	2,128,816	**(1,392,500)**	(1,341,830)

The Group's exposure to foreign exchange risk mainly relates to US$, EUR, NGN, VND, IQD, EGP, ALL, SAR, AZN and ZAR. The following sensitivity rates used when reporting foreign exchange risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

Sensitivity analysis

As at 31 December 2011, if RMB had strengthened by 2% (2010: 2%) against US$ with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB996,000 higher (2010: RMB3,395,000 lower), mainly as a result of foreign exchange gains (2010: losses) on translation of US$-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings. The adverse movement in US$ would be an equal and opposite impact on the profit for the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(a) Foreign exchange risk *(Continued)*

Sensitivity analysis (Continued)

As at 31 December 2011, if RMB had strengthened by 5% (2010: 2%) against EUR with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB4,019,000 higher (2010: RMB2,412,000 lower), mainly as a result of foreign exchange gains (2010: losses) on translation of EUR-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers). Due to the debt crisis of EUR during the year, EUR's exchange rate experienced a significant fluctuation, thus the management adjusted the sensitivity rate from 2% to 5% for the purpose of assessing foreign currency risk. The adverse movement in EUR would be an equal and opposite impact on the profit for the year.

As at 31 December 2011, if RMB had strengthened by 6% (2010: 4%) against NGN with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB799,000 higher (2010: RMB108,000 higher), mainly as a result of foreign exchange gains on translation of NGN-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash and trade and other payables (except for prepayments from customers). As a result of the volatile financial market in 2011, the management adjusted the sensitivity rate from 4% to 6% for the purpose of assessing foreign currency risk. The adverse movement in NGN would be an equal and opposite impact on the profit for the year.

As at 31 December 2011, if RMB had strengthened by 4% (2010: 4%) against VND with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB1,043,000 lower (2010: RMB1,228,000 lower), mainly as a result of foreign exchange losses on translation of VND-denominated bank balances and cash. The adverse movement in VND would be an equal and opposite impact on the profit for the year.

As at 31 December 2011, if RMB had strengthened by 3% (2010: 3%) against IQD with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB1,170,000 lower (2010: RMB128,000 lower), mainly as a result of foreign exchange losses on translation of IQD-denominated bank balances and cash. The adverse movement in IQD would be equal and opposite impact on the profit for the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(a) Foreign exchange risk *(Continued)*

Sensitivity analysis (Continued)

As at 31 December 2011, if RMB had strengthened by 3% (2010: 5%) against EGP with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB215,000 lower (2010: RMB3,088,000 lower), mainly as a result of foreign exchange losses on translation of EGP-denominated bank balances and cash. After the revolution of Egypt in early 2011, the EGP become more stable, the management adjusted the sensitivity rate from 5% to 3% for the purpose of assessing foreign currency risk. The adverse movement in EGP would be an equal and opposite impact on the profit for the year.

As at 31 December 2011, if RMB had strengthened by 9% (2010: 3%) against ALL with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB3,045,000 lower (2010: RMB1,390,000 lower), mainly as a result of foreign exchange losses on translation of ALL-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash. As a result of the volatile financial market in 2011, the management adjusted the sensitivity rate from 3% to 9% for the purpose of assessing foreign currency risk. The adverse movement in ALL would be an equal and opposite impact on the profit for the year.

As at 31 December 2011, if RMB had strengthened by 2% (2010: 3%) against SAR with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB3,270,000 lower (2010: RMB2,915,000 lower), mainly as a result of foreign exchange losses on translation of SAR-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash. The adverse movement in SAR would be equal and opposite impact on the profit for the year.

As at 31 December 2011, if RMB had strengthened by 2% (2010: 1%) against AZN with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB1,094,000 lower (2010: RMB576,000 lower), mainly as a result of foreign exchange losses on translation of AZN-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash and trade and other payables (except for prepayments from customers). The adverse movement in AZN would be an equal and opposite impact on the profit for the year.

As at 31 December 2011, if RMB had strengthened by 16% (2010: 7%) against ZAR with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB5,134,000 higher (2010: RMB196,000 lower), mainly as a result of foreign exchange gains (2010: losses) on translation of ZAR-denominated bank balances and cash and trade and other payables (except for prepayments from customers). During the year, ZAR has a significant fluctuation due to the sharply depreciation, thus the management adjusted the sensitivity rate from 7% to 16% for the purpose of assessing foreign currency risk. The adverse movement in ZAR would be an equal and opposite impact on the profit for the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(b) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes. Bank balances and borrowings at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2011, approximately RMB1,919,043,000 (2010: RMB1,257,740,000), RMB2,305,614,000 (2010: RMB4,613,648,000), RMB800,000,000 (2010: RMB400,000,000), RMB9,588,787,000 (2010: RMB8,897,598,000), RMB2,487,829,000 (2010: RMB2,485,545,000), and RMB4,352,670,000 (2010: RMB1,700,000,000) of the Group's restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes were at fixed rates, respectively. The interest rates and maturities of the Group's restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes are disclosed in Notes 35, 36, 39, 40, 44 and 45.

To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

As at 31 December 2011, if the interest rate on variable-rate borrowings had been 100 basis points (2010: 100 basis points) higher with all other variables held constant, which was considered reasonably possible at that date by management, profit for the year would has been RMB49,391,000 lower (2010: RMB10,042,000 lower), mainly as a result of higher interest expenses on bank borrowings.

(c) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity securities price risks at the reporting date.

If the price of the respective equity securities had been 10% (2010: 10%) higher/lower, the investment revaluation reserve would increase/decrease by approximately RMB164,306,000 (2010: approximately RMB184,104,000) for the Group as a result of the changes in fair value of available-for-sale financial assets.

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(d) Credit risk

The carrying amounts of trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic assessment on the credit quality of the customers, taking into account its financial position, past experience and other factors. Normally the Group does not hold any collaterals as security. The directors of the Company consider the Group does not have a significant concentration of credit risk. Contributions from the largest and five largest customer accounted for approximately 7% (2010: 7%) and 13% (2010: 20%) of the Group's total trade receivable for the year ended 31 December 2011.

The credit risk on bank balances is limited because the restricted bank balances and bank balances are maintained with state-owned banks or other creditworthy financial institutions in the PRC and overseas.

The credit risk on financial guarantee given by the Group is limited as the guarantees are either the stated-owned enterprises or enterprises with strong financial position as at 31 December 2011 and 2010.

The counterparties of the Group are mainly in the PRC. However, the credit risk on geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 December 2011 and 2010.

(e) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain a reasonable level of cash and cash equivalents and flexibility in funding by keeping committed credit lines available.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, short-term financing bills, bank borrowings, corporate bonds, medium-term notes.

The maturity analysis of short-term financing bills, borrowings, corporate bonds and medium-term notes that shows the remaining contractual maturities is disclosed in Notes 39, 40, 44 and 45 respectively. Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The Group is exposed to liquidity risk as at 31 December 2011 as the Group had net current liabilities of approximately RMB1,461,563,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in note 2.

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(e) Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross cash flows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amounts *RMB'000*
As at 31 December 2011						
Non-derivative financial liabilities						
Trade and other payables	14,247,216	–	4,120	–	14,251,336	14,251,336
Dividend payable	2,498	–	–	–	2,498	2,498
Short-term financing bills	847,840	–	–	–	847,840	800,000
Borrowings	14,474,119	2,475,379	6,495,341	3,433,978	26,878,817	23,251,407
Corporate bonds	135,000	135,000	2,848,041	–	3,118,041	2,487,829
Medium-term notes	257,896	257,896	4,939,531	–	5,455,323	4,352,670
Financial guarantee contracts	30,000	30,000	–	–	60,000	–
	29,994,569	2,898,275	14,287,033	3,433,978	50,613,855	45,145,740
Derivative financial instruments – net settlement						
Foreign currency forward contracts	138	–	775	–	913	913

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(e) Liquidity risk *(Continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2010 (restated)						
Non-derivative financial liabilities						
Trade and other payables	11,144,221	–	1,197	–	11,145,418	11,145,418
Short-term financing bills	404,941	–	–	–	404,941	400,000
Borrowings	8,589,458	4,168,133	5,852,312	2,625,253	21,235,156	18,721,932
Corporate bonds	135,000	135,000	405,000	2,578,041	3,253,041	2,485,545
Medium-term notes	76,160	76,160	1,866,717	–	2,019,037	1,700,000
Financial guarantee contracts	365,500	–	30,000	–	395,000	–
	20,715,280	4,379,293	8,155,226	5,203,294	38,453,093	34,452,895
Derivative financial instruments – net settlement						
Interest rate swaps contract	–	–	3,445	–	3,445	3,415
As 1 January 2010 (restated)						
Non-derivative financial liabilities						
Trade and other payables	8,943,383	–	1,438	–	8,944,821	8,944,821
Borrowings	5,760,020	1,598,776	5,240,633	1,585,874	14,185,303	12,335,076
Corporate bonds	135,000	135,000	405,000	2,713,041	3,388,041	2,483,381
	14,838,403	1,733,776	5,647,071	4,298,915	26,518,165	23,763,278
Derivative financial instruments – net settlement						
Foreign currency forward contracts	648	–	–	–	648	648
Interest rate swaps contract	–	–	4,648	–	4,648	4,586
	648	–	4,648	–	5,296	5,234

5. FINANCIAL INSTRUMENTS *(Continued)*

5.2 Financial risk management objectives and policies *(Continued)*

(e) Liquidity risk *(Continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the agreement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee (Note 53). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed surfer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5.3 Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

- the fair value of the foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts;

- the fair value of the interest rate swap contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. The fair values of financial guarantee contracts were insignificant at the grant date.

The carrying amounts of financial assets and financial liabilities that are current in nature reported in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short-term maturities.

The directors of the Company consider the carrying amounts of the non-current trade and other receivables and payables approximate their fair values as the impact of discounting is not significant.

5. FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- *Level 1 – quoted market prices:*

  Fair value measurements are those derived from quoted market prices (unadjusted) in active market for identical assets or liabilities.

- *Level 2 – valuation technique using observable inputs:*

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

- *Level 3 – valuation technique with significant unobservable inputs:*

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

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
As at 31 December 2011				
Financial assets at FVTPL				
Derivative financial assets	**–**	**3,165**	**–**	**3,165**
Available-for-sales financial assets				
Equity securities	**2,190,435**	**–**	**–**	**2,190,435**
	2,190,435	**3,165**	**–**	**2,193,600**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**(913)**	**–**	**(913)**
As at 31 December 2010				
Financial assets at FVTPL				
Derivative financial assets	–	34,464	–	34,464
Available-for-sales financial assets				
Equity securities	2,419,319	–	–	2,419,319
	2,419,319	34,464	–	2,453,783
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(3,415)	–	(3,415)

There were no transfers between Level 1 and 2 during the year ended 31 December 2011 and 2010.

6. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The Group monitors its capital on the basis of the net debt ratio which is calculated as net debt divided by total equity. Net debt is calculated as the total amount of interest-bearing debts (including current and non-current borrowings, short-term financing bills, corporate bonds and medium-term notes as shown in the consolidated statement of financial position) less restricited bank balances and bank balances and cash. The Group aims to maintain the net debt ratio at a reasonable level.

The net debt ratios of the Group are as follows:

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000* (Restated)	1 January 2010 *RMB'000* (Restated)
Short-term financing bills *(Note 39)*	**800,000**	400,000	–
Total borrowings *(Note 40)*	**23,251,407**	18,721,932	12,335,076
Corporate bonds *(Note 44)*	**2,487,829**	2,485,545	2,483,381
Medium-term notes *(Note 45)*	**4,352,670**	1,700,000	–
Less: Restricted bank balances *(Note 35)*	**(1,919,043)**	(1,257,740)	(1,561,888)
Bank balances and cash *(Note 36)*	**(10,157,521)**	(13,256,593)	(10,117,728)
Net debt	**18,815,342**	8,793,144	3,138,841
Total equity	**23,629,923**	20,652,676	14,029,083
Net debt ratio	**79.63%**	42.58%	22.37%

The increase in the net debt ratio during the year ended 31 December 2011 resulted primarily from more borrowings has been obtained from the Group to provide funds for operation. The Group did not breach any loan covenants at the end of the reporting period.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Going concern basis

Although the Group had net current liabilities at the end of the reporting period, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Group's liquidity requirements in the short and long term. Details of liquidity risk are disclosed in note 5.2.

(b) De facto control over subsidiaries

The Group's management exercises its critical judgment when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the amount of additional interests in the subsidiary required to be acquired by the Group so as to obtain the legal rights to govern financial and operating policies; (ii) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (iii) the extent of reliance of the subsidiary on the financial and operational support from the Group; and (iv) the extent of involvement of directors of the subsidiary nominated by the Group in its operational and financial policy setting and decision making.

(c) Significant influence over associates

The Group's management exercises its critical judgment when determining whether the Group has significant influence over an entity by evaluating, among other things: (i) the ability to demonstrate effective significant influence during the shareholders' meetings and board meetings; and (ii) the extent of involvement of directors of the associate nominated by the Group in its operational and financial policy setting and decision making.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying the entity's accounting policies *(Continued)*

(d) Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

(e) Ownership of the buildings and prepaid lease payments

Despite the Group has paid the full purchase consideration as detailed in Notes 21 and 22, respectively, formal titles of certain of the Group's rights to the use of the buildings and prepaid lease payments were not yet granted from the relevant government authorities. In the opinion of the directors, the absence of formal title to these buildings and prepaid lease payments does not impair the value of the relevant assets to the Group.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated.

(b) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Impairment loss recognised in respect of available-for-sale financial assets

The Group follows the guidance of HKAS 39 Financial Instruments – Recognition and Measurement in determining when an available-for-sale financial asset is impaired. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(d) Allowance for inventories

During the year, the Group reversed the allowance of inventories of approximately RMB9,150,000 (2010: RMB3,563,000) and write down of inventories of approximately RMB78,537,000 (2010: RMB17,303,000). The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgment and estimates on the conditions and usefulness of the inventories.

(e) Impairment loss recognised in respect of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables with the accounting policy stated in Note 4. Such provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Management reassesses the adequacy of any such provision on a regular basis. As at 31 December 2011, the carrying amount of trade and other receivables is approximately RMB15,763,832,000 (net of impairment loss of approximately RMB914,036,000) (31 December 2010: carrying amount of approximately RMB10,510,784,000, net of impairment loss of approximately RMB681,044,000).

(f) Impairment loss of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4. The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating unit's ("CGU") fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in Note 25. As at 31 December 2011, the carrying value of goodwill (net of accumulated impairment loss of approximately RMB123,420,000 (2010: RMB9,068,000)) is approximately RMB415,052,000 (2010: RMB520,483,000).

Further details of the Group's goodwill and the results of the review undertaken by management as at 31 December 2011 are set out in Note 24 and 25 respectively.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(g) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires judgment of the management. Anticipated losses are fully provided on contracts when identified. Management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction and engineering businesses, the contract activity will usually last for a period over one year and therefore fall into different accounting periods. During the year ended 31 December 2011, foreseeable losses on construction contracts of approximately RMB123,426,000 (2010: RMB126,748,000) have been recognised.

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses and regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

(h) Provision for guarantees

The Group follows the guidance of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets in determining the provision for guarantees. Provisions have been made based on management's best estimates and judgments at the date of grant and at the end of the reporting period if it is probable that an outflow of resources will be required to settle the defaulted guarantees and the amount of such provision can be measured reliably. The Group's management considers the fair value of the guarantees at the date of grant is insignificant and the default risk is low at the end of the reporting period.

(i) Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims in respect of certain construction works. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments. As at 31 December 2011, the carrying amount of provision for litigation is approximately RMB27,780,000 (2010: RMB27,780,000).

(i) Provision for warranties

Provisions for the expected cost of warranty obligations under the sale contracts are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation. As at 31 December 2011, the carrying amount of provision for warranties is approximately RMB58,492,000 (2010: RMB39,198,000).

8. TURNOVER

Turnover represents revenue arising from provision of cement equipment and engineering services, production and sales of cement and high-tech materials, net of discounts, returns and sales related taxes.

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Turnover comprises:		
– Cement equipment and engineering services	**24,274,879**	24,291,104
– Cement	**20,233,829**	14,457,224
– High-tech materials	**6,194,290**	5,748,830
	50,702,998	44,497,158

9. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the nature of business for the goods supplied and services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

9. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results

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

For the year ended 31 December 2011

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	24,274,879	20,233,829	6,194,290	–	50,702,998
Inter-segment sales	3,083,237	7,484	52,649	(3,143,370)	–
Total	27,358,116	20,241,313	6,246,939	(3,143,370)	50,702,998
Segment results	2,071,083	3,797,798	700,942	(502,385)	6,067,438
Unallocated operating income and expenses					(38,699)
Interest income					161,713
Finance costs					(1,437,423)
Share of results of associates					129,737
Profit before tax					4,882,766

9. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2010 (Restated)

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	24,291,104	14,457,224	5,748,830	–	44,497,158
Inter-segment sales	1,604,501	57,781	4,141	(1,666,423)	–
Total	25,895,605	14,515,005	5,752,971	(1,666,423)	44,497,158
Segment results	1,908,643	2,606,961	574,645	(148,753)	4,941,496
Unallocated operating income and expenses					(51,234)
Interest income					154,557
Finance costs					(923,744)
Share of results of associates					70,124
Profit before tax					4,191,199

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit earned by each segment without allocation of directors' remuneration, interest income, finance costs, share of results of associates and other head office administrative expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

9. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

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

Segment assets

	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
Cement equipment and engineering services	**14,901,857**	10,483,451	10,402,646
Cement	**36,431,734**	27,010,015	15,358,020
High-tech materials	**12,795,539**	11,529,081	9,826,459
Total segment assets	**64,129,130**	49,022,547	35,587,125
Eliminations	**(1,305,547)**	(728,008)	(831,887)
Unallocated assets	**16,736,155**	18,910,058	15,242,095
Consolidated assets	**79,559,738**	67,204,597	49,997,333

Segment liabilities

	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
Cement equipment and engineering services	**14,599,149**	14,919,522	15,600,581
Cement	**7,440,226**	6,091,390	4,369,465
High-tech materials	**2,817,631**	2,803,517	2,443,558
Total segment liabilities	**24,857,006**	23,814,429	22,413,604
Eliminations	**(1,670,668)**	(2,010,490)	(1,965,740)
Unallocated liabilities	**32,743,477**	24,747,982	15,520,386
Consolidated liabilities	**55,929,815**	46,551,921	35,968,250

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred income tax assets and unallocated assets including interests in associates, available-for-sale financial assets, derivative financial instruments, assets classified as held for sale, restricted bank balances, bank balances and cash and certain unallocated head office assets; and

- all liabilities are allocated to operating segments other than income tax liabilities, deferred income tax liabilities and unallocated liabilities including derivative financial instruments, short-term financing bills, borrowings, corporate bonds, medium-term notes, liabilities classified as held for sale, dividend payable and certain unallocated head office liabilities.

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 December 2011

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment results or segment assets:					
Depreciation on property, plant and equipment and investment properties	193,133	1,465,061	560,083	398	2,218,675
Amortisation	13,671	98,796	27,511	–	139,978
Impairment loss recognised in respect of:					
– property, plant and equipment	–	83,298	58,265	–	141,563
– intangible assets	–	114,352	–	–	114,352
– trade receivables	165,488	51,819	31,296	–	248,603
– other receivables	15,169	12,471	3,439	109	31,188
– loan receivables	–	6,069	132	–	6,201
Allowance for inventories	40,859	25,285	12,393	–	78,537
Reversal of allowance for inventories	–	(496)	(8,654)	–	(9,150)
Net (gain) loss on disposals of property, plant and equipment	(24,953)	6,164	(5,838)	365	(24,262)
Gain on disposals of prepaid lease payments	–	(1,745)	–	–	(1,745)
Government grants	(9,899)	(261,305)	(72,986)	–	(344,190)
Foreseeable losses on construction contracts	123,426	–	–	–	123,426
Additions to non-current assets *(Note)*	526,056	6,560,741	2,511,913	799	9,599,509
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:					
Interest income	(94,779)	(51,939)	(13,047)	(1,948)	(161,713)
Finance costs	40,393	742,154	351,091	303,785	1,437,423
Share of results of associates	(19,524)	(110,223)	10	–	(129,737)
Income tax expense (credit)	398,250	461,791	60,357	(126)	920,272
Interests in associates	79,108	1,131,929	55,773	–	1,266,810

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 December 2010 (Restated)

	Cement equipment and engineering services RMB'000	Cement RMB'000	High-tech materials RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Depreciation on property, plant and equipment and investment properties	185,533	894,078	626,784	345	1,706,740
Amortisation	12,169	108,782	39,391	3,934	164,276
Impairment loss recognised (reversed) in respect of:					
– property, plant and equipment	–	150,593	228,402	–	378,995
– trade receivables	90,375	(8,182)	31,238	–	113,431
– other receivables	(19,762)	40,151	386	254	21,029
– loan receivables	26,588	(19,980)	(1,101)	–	5,507
Allowance for inventories	–	2,621	14,682	–	17,303
Reversal of allowance for inventories	–	(416)	(3,147)	–	(3,563)
Loss on written off of intangible assets	–	23	1,707	–	1,730
Loss on written off of mining rights	–	171	223	–	394
Net (gain) loss on disposals of property, plant and equipment	(19,298)	(12,751)	7,366	–	(24,683)
Gain on disposals of prepaid lease payments	–	(4,678)	(3,128)	–	(7,806)
Government grants	(22,128)	(172,392)	(99,890)	–	(294,410)
Foreseeable losses on construction contracts	126,748	–	–	–	126,748
Additions to non-current assets *(Note)*	604,414	11,377,394	1,684,825	193	13,666,826
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:					
Interest income	(112,361)	(29,223)	(10,281)	(2,692)	(154,557)
Finance costs	25,875	432,081	226,941	238,847	923,744
Share of results of associates	(10,451)	(58,348)	(1,325)	–	(70,124)
Income tax expense (credit)	396,748	295,487	89,771	(529)	781,477
Interests in associates	62,926	1,021,706	51,782	–	1,136,414

Note: Non-current assets exclude interests in associates, financial instruments and deferred income tax assets. Additions to non-current assets for the year ended 31 December 2011 resulting from acquisitions through business combinations amounting to RMB162,001,000 (2010: RMB5,624,297,000).

9. SEGMENT INFORMATION *(Continued)*

(d) Geographical information

The Group operates in five principal geographical areas – the PRC (country of domicile), Middle East, Africa, other Asian countries and Europe.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed as below:

	Revenue from external customer		Non-current assets	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
The PRC	**40,411,792**	31,212,402	**39,998,611**	33,434,198
Middle East	**2,109,684**	4,060,035	**22,856**	2,957
Africa	**3,788,091**	6,796,741	**6,181**	13,997
Other Asian countries	**3,141,292**	1,268,535	**773**	425
Europe	**1,014,603**	584,415	**–**	5,559
Others	**237,536**	575,030	**–**	–
	50,702,998	44,497,158	**40,028,421**	33,457,136

Note: Non-current assets exclude financial instruments and deferred income tax assets.

(e) Information about major customers

During the two years ended 31 December 2011 and 2010, no revenue from transactions with any single external customer amounted to 10% or more of the Group's revenue.

10. INTEREST INCOME

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Interest income on bank deposits	**159,062**	152,876
Interest income on loan receivables	**2,651**	1,681
Total interest income	**161,713**	154,557

11. OTHER GAINS

	2011 *RMB'000*	2010 *RMB'000* (Restated)
Gain on debts restructuring *(Note a)*	**1,971**	12,157
Gain on disposals of property, plant and equipment	**24,262**	24,683
Gain on disposals of prepaid lease payments	**1,745**	7,806
Gain on disposals of a subsidiary	**7,322**	–
Exchange gain on realisation of foreign currency forward contracts	**4,707**	54,435
Dividend income on available-for-sale financial assets *(Note b)*	**24,783**	29,932
Other service income	**–**	382
Income from sales of scrap materials	**11,832**	1,129
Gain on bargain purchases *(Note 50)*	**–**	70,782
Change in fair values of the derivative financial instruments		
– foreign currency forward contracts	**–**	21,562
– interest rate swap contracts	**–**	1,171
Penalty income *(Note c)*	**27,579**	31,948
Rental income *(Note d)*	**28,221**	34,722
Waiver of other payables	**4,788**	8,525
Value-added tax refunds *(Note e)*	**393,664**	336,468
Government grants		
– utilisation/amortisation of deferred income for the year *(Note 46)*	**175,417**	87,276
– grants related to expenses recognised as other gains *(Note f)*	**168,773**	207,134
Others	**7,480**	5,488
	882,544	935,600

Notes:

(a) During the year, a subsidiary of the Company had settled certain bank borrowings at a discount of RMB1,971,000 (2010: RMB12,157,000).

(b) Dividend income from available-for-sale financial assets represented dividend income from listed and unlisted equity investments.

(c) The penalty income mainly represented the compensation income received from the subcontractors or constructors in relation to delays of contract works or construction of property, plant and equipment.

11. OTHER GAINS *(Continued)*

(d) Rental income:

	2011 **RMB'000**	2010 *RMB'000* (Restated)
Gross rental income from investment properties	**28,221**	34,722
Less: Direct operating expenses that generate rental income	**(6,491)**	(7,875)
Net rental income from investment properties	**21,730**	26,847

(e) The balances represent refunds of value-added tax paid by certain subsidiaries since these subsidiaries produce certain specific cement products.

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

12. EXCHANGE LOSS

Foreign exchange differences are included in the consolidated income statement as follows:

	2011 **RMB'000**	2010 *RMB'000* (Restated)
Net exchange loss	**54,232**	104,167
Less: Net foreign exchange gain (loss) on bank borrowings *(Note 14)*	**1,518**	(38)
Exchange loss arising from the operating activities	**55,750**	104,129

13. OTHER EXPENSES

	2011 RMB'000	2010 RMB'000 (Restated)
Provision for litigation *(Note 43)*	–	27,780
Change in fair values of the derivative financial instruments		
– foreign currency forward contracts	**32,212**	–
– interest rate swap contracts	**1,155**	–
Loss on realisation of interest rate swap contracts	**9,500**	5,974
Loss on written off of intangible assets	–	1,730
Loss on written off of mining rights	–	394
Penalty	**20,080**	28,581
Donations	**12,636**	7,037
Others	**8,499**	6,787
	84,082	78,283

14. FINANCE COSTS

	2011 RMB'000	2010 RMB'000 (Restated)
Interest expenses		
– Bank borrowings wholly repayable within 5 years	**1,177,153**	693,905
– Bank borrowings not wholly repayable within 5 years	**30,683**	24,689
– Corporate bonds not wholly repayable within 5 years	**137,284**	137,164
– Medium-term notes wholly repayable within 5 years	**112,981**	61,351
– Short-term financing bills wholly repayable within 5 years	**18,183**	10,995
– Other borrowings	**54,018**	56,004
	1,530,302	984,108
Less: Amounts capitalised as construction in progress *(Note)*	**(105,577)**	(73,063)
	1,424,725	911,045
Net foreign exchange (gain) loss on bank borrowings *(Note 12)*	**(1,518)**	38
Discount charges on bank acceptance notes	**14,216**	12,661
Total finance costs	**1,437,423**	923,744

Note: Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5.65% (2010: 5.67%) per annum to expenditure on qualifying assets.

15. INCOME TAX EXPENSE

The Group has no operations in Hong Kong and is therefore not subject to Hong Kong profits tax for both years.

Certain of the companies now comprising the Group are subject to the PRC enterprise income tax, which has been provided for based on the statutory income tax rates of 25% (2010: 25%) on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries and jointly controlled entities which were taxed at preferential rate of 15% (2010: 15%).

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

The amount of income tax expense charged to the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Current income tax:		
– PRC enterprise income tax	**1,073,924**	936,649
– Overseas taxation	**5,355**	10,083
– Overprovision in previous years	**(1,309)**	(17,885)
	1,077,970	928,847
Deferred income tax *(Note 47)*		
– Net effect of changes in tax rates on deferred income tax assets and liabilities	**(1,084)**	(1,275)
– Other deferred income tax	**(156,614)**	(146,095)
	(157,698)	(147,370)
	920,272	781,477

15. INCOME TAX EXPENSE *(Continued)*

The difference between the actual income tax expense in the consolidated income statement and the amounts which is calculated based on the statutory tax rate of 25% (2010: 25%) is as follows:

	2011 **RMB'000**	2010 RMB'000 (Restated)
Profit before tax	**4,882,766**	4,191,199
Less: Share of results of associates	**(129,737)**	(70,124)
	4,753,029	4,121,075
Tax calculated at the statutory tax rate of 25% (2010: 25%)	**1,188,257**	1,030,269
Tax effect of income not taxable for tax purpose	**(47,683)**	(84,430)
Tax effect of expenses not deductible for tax purpose	**99,373**	54,787
Tax effect of tax losses not recognised	**105,272**	38,018
Utilisation of tax losses previously not recognised	**–**	(446)
Additional deduction arising from research and development expenditure	**(7,740)**	(2,201)
Effect of differences in tax rates applicable to certain domestic subsidiaries and jointly controlled entities	**(401,072)**	(221,208)
Net effect of changes in tax rates on deferred income tax assets and liabilities	**(1,084)**	(1,275)
Additional deduction arising from equipment produced in the PRC	**(13,742)**	(14,152)
Overprovision in previous years	**(1,309)**	(17,885)
Income tax expense	**920,272**	781,477

16. PROFIT FOR THE YEAR

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

	2011 RMB'000	2010 RMB'000 (Restated)
Cost of inventories recognised as expenses	**24,205,142**	22,494,555
Auditor's remuneration	**8,600**	8,600
Employee benefit expense (including directors' and supervisors' emoluments) *(Note 17)*	**2,679,643**	2,731,510
Depreciation and amortisation:		
– property, plant and equipment	**2,211,007**	1,697,201
– prepaid lease payments	**95,034**	80,403
– investment properties	**7,668**	9,539
– intangible assets	**13,859**	35,286
– mining rights	**31,085**	48,587
Operating lease rentals	**145,928**	170,454
Share of income tax expenses:		
– associates	**28,395**	24,910
– jointly controlled entities	**533**	523
Research and development costs	**576,762**	504,446
Safety fund set aside	**74,601**	63,433
Provision for warranties *(Note 43)* (included in cost of sales)	**28,693**	39,743
Foreseeable losses on construction contracts (included in cost of sales)	**123,426**	126,748
Impairment loss recognised in respect of:		
– trade receivables (included in administrative expenses)	**248,603**	113,431
– other receivables (included in administrative expenses)	**31,188**	21,029
– loan receivables (included in administrative expenses)	**6,201**	5,507
– property, plant and equipment (included in administrative expenses)	**141,563**	378,995
– intangible assets (included in administrative expenses)	**114,352**	–
Allowance for inventories (included in cost of sales)	**78,537**	17,303
Reversal of allowance for inventories (included in cost of sales)	**(9,150)**	(3,563)
Loss on disposal of available-for-sale financial assets	**2,825**	–

17. EMPLOYEE BENEFITS

	2011 RMB'000	2010 RMB'000 (Restated)
Salaries, wages and bonuses	**1,903,608**	2,014,436
Contributions to pension plans *(Note a)*	**273,649**	310,226
Early retirement and supplemental pension benefits *(Note 41 and Note b)*	**38,104**	61,730
Housing funds *(Note c)*	**85,475**	95,952
Cash-settled share-based payments	**1,127**	316
Welfare, medical and other expenses	**377,680**	248,850
	2,679,643	2,731,510

17. EMPLOYEE BENEFITS *(Continued)*

Notes:

(a) During the two years ended 31 December 2011 and 2010, the employees of the Company and the subsidiaries in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial governments in the PRC to which the Group is required to make monthly contributions at rates ranging from 18% to 22%, depending on the applicable local regulations, of the employees' basic salary for the previous year.

(b) Certain employees of the Group were directed to early retire in previous years. Early retirement benefits are recognised in the consolidated income statement in the period in which the Group entered into an agreement specifying the terms of redundancy or after the individual employee had been advised of the specific terms. These specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplemental pension subsidies or pension contributions to certain employees who retired prior to 31 December 2006. The costs of providing these pension subsidies and pension contributions are charged to the consolidated income statement so as to spread the service costs over the average service lives of the retirees. Employees who retire after 31 December 2006 are not entitled to such supplemental pension subsidies or pension contributions.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 6% to 12% of the employees basic salary of the previous year) in the PRC for both years.

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and supervisors' emoluments

	2011	2010
	RMB'000	*RMB'000*
Directors and supervisors		
– Fee for directors and supervisors	**990**	900
– Basic salaries, housing allowances and other allowances	**1,371**	1,620
– Contributions to pension plans	**126**	99
– Discretionary bonuses	**1,444**	1,427
– Cash-settled share-based payments	**96**	118
	4,027	4,164

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

(i) The emoluments of every directors and supervisors for the year ended 31 December 2011 were set out below:

Name	Fee for directors and supervisors *RMB'000*	Basic salaries, housing allowances and other allowances *RMB'000*	Contributions to pension plans *RMB'000*	Discretionary bonuses *RMB'000*	Cash-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
– Mr. Tan Zhongming	–	–	–	–	30	30
– Mr. Li Xinhua	–	331	30	442	22	825
Non-executive directors						
– Mr. Yu Shiliang	–	–	–	–	22	22
– Mr. Liu Zhijiang	–	–	–	–	22	22
– Mr. Chen Xiaozhou *(Note a)*	30	–	–	–	–	30
– Mr. Zhang Hai *(Note b)*	–	–	–	–	–	–
– Mr. Tang Baoqi *(Note b)*	30	–	–	–	–	30
Independent non-executive directors						
– Mr. Leung Chong Shun	180	–	–	–	–	180
– Mr. Shi Chungui	180	–	–	–	–	180
– Mr. Lu Zhengfei	180	–	–	–	–	180
– Mr. Wang Shimin	180	–	–	–	–	180
– Mr. Zhou Zude	180	–	–	–	–	180
Supervisors						
– Ms. Xu Weibing	–	–	–	–	–	–
– Mr. Wang Jianguo	15	–	–	–	–	15
– Mr. Yu Xingmin	–	858	48	954	–	1,860
– Mr. Zhang Renjie	15	–	–	–	–	15
– Mr. Qu Xiaoli	–	182	48	48	–	278
	990	1,371	126	1,444	96	4,027

Notes:

a. Resigned on 12 July 2011.

b. Appointed on 12 July 2011.

c. In addition to the directors' emoluments disclosed above, certain directors of the Company received emoluments from Sinoma Group in aggregate of approximately RMB824,000 for the year ended 31 December 2011, part of which was in respect of their services to the Group. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to Sinoma Group.

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

(ii) The emoluments of every directors and supervisors for the year ended 31 December 2010 were set out below:

Name	Fee for directors and supervisors *RMB'000*	Basic salaries, housing allowances and other allowances *RMB'000*	Contributions to pension plans *RMB'000*	Discretionary bonuses *RMB'000*	Cash-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
– Mr. Tan Zhongming	–	–	–	–	30	30
– Mr. Zhou Yuxian *(Note a)*	–	–	–	–	–	–
– Mr. Li Xinhua	–	550	29	385	22	986
Non-executive directors						
– Mr. Yu Shiliang	–	–	–	–	22	22
– Mr. Liu Zhijiang	–	–	–	–	22	22
– Mr. Chen Xiaozhou	60	–	–	–	–	60
Independent non-executive directors						
– Mr. Leung Chong Shun	180	–	–	–	–	180
– Mr. Tong Anyan *(Note b)*	–	–	–	–	–	–
– Mr. Shi Chungui	180	–	–	–	–	180
– Mr. Lu Zhengfei	180	–	–	–	–	180
– Mr. Wang Shimin	180	–	–	–	–	180
– Mr. Zhou Zude *(Note d)*	90	–	–	–	–	90
Supervisors						
– Ms. Xu Weibing	–	–	–	–	–	–
– Mr. Wang Jianguo	15	–	–	–	–	15
– Mr. Yu Xingmin	–	527	22	566	–	1,115
– Mr. Zhang Renjie	15	–	–	–	–	15
– Ms. Zhang Lirong *(Note c)*	–	258	12	316	–	586
– Mr. Qu Xiaoli *(Note d)*	–	185	28	28	–	241
– Mr. Wang Wei *(Note e)*	–	100	8	132	22	262
	900	1,620	99	1,427	118	4,164

Notes:

a. Resigned on 22 December 2010

b. Resigned on 6 May 2010.

c. Resigned on 26 July 2010.

d. Appointed on 26 July 2010.

e. Resigned on 3 March 2010.

f. In addition to the directors' emoluments disclosed above, certain directors of the Company received emoluments from Sinoma Group in aggregate of approximately RMB1,111,000 for the year ended 31 December 2010, part of which was in respect of their services to the Group. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to Sinoma Group.

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

(iii) During the two years ended 31 December 2011 and 2010, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

The discretionary bonuses of directors and supervisors for the two years ended 31 December 2011 and 2010 is determined by the remuneration committee and having regard to the performance of individuals and market trends.

(b) Five highest paid individuals

(i) The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2011 include one supervisor (2010: one supervisor) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2010: four) individuals during the year are as follows:

	2011	2010
	RMB'000	*RMB'000*
Basic salaries, housing allowances and other allowances	**4,394**	2,735
Contributions to pension plans	**240**	173
Discretionary bonuses	**4,491**	13,669
	9,125	16,577

(ii) The emoluments of the above individuals fell within the following bands:

	2011	2010
HK$1,000,001 to HK$1,500,000 (2011: equivalent to RMB819,270 to RMB1,228,904 and 2010: equivalent to RMB870,301 to RMB1,305,450)	**–**	1
HK$1,500,001 to HK$2,000,000 (2011: equivalent to RMB1,228,905 to RMB1,638,539 and 2010: equivalent to RMB1,305,451 to RMB1,740,600)	**1**	2
HK$2,000,001 to HK$2,500,000 (2011: equivalent to RMB2,048,175 to RMB2,457,809 and 2010: equivalent to RMB2,175,751 to RMB2,610,900)	**3**	–
HK$10,000,001 to HK$15,000,000 (2011: equivalent to RMB8,192,693 to RMB12,289,038 and 2010: equivalent to RMB8,703,010 to RMB13,054,500)	**–**	1
	4	4

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

(iii) During the two years ended 31 December 2011 and 2010, no highest paid individuals of the Company waived any emoluments and no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

19. DIVIDENDS

	2011 ***RMB'000***	2010 *RMB'000*
Dividends paid and recognised as distribution during the year:		
– 2010 final dividend: RMB0.04 (2010: 2009 final dividend RMB0.025) per share	**142,859**	89,287

The final dividend of RMB0.06 (2010: RMB0.04) per share (tax inclusive) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

20. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 December 2011 and 2010.

	2011	2010 (Restated)
Profit for the year attributable to owners of the Company *(RMB'000)*	**1,460,567**	1,099,979
Weighted average number of ordinary shares in issue *('000)*	**3,571,464**	3,571,464
Basic earnings per share *(RMB)*	**0.409**	0.308

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2011 and 2010.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, office and other equipment	Construction–in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010, as restated	5,291,092	8,828,632	418,854	346,215	3,713,960	18,598,753
Additions	355,114	715,563	260,272	414,317	5,680,293	7,425,559
Attributable to acquisition of subsidiaries	1,977,735	1,645,535	76,051	10,138	541,224	4,250,683
Disposals	(104,222)	(65,169)	(18,365)	(12,255)	–	(200,011)
Reclassification from investment properties	22,128	–	–	–	–	22,128
Reclassification upon completion	2,022,353	3,365,322	–	–	(5,387,675)	–
Depreciation charged for the year	(295,837)	(1,201,295)	(90,491)	(109,578)	–	(1,697,201)
Impairment loss recognised in the consolidated income statement	(158,667)	(147,765)	(7,503)	(8,057)	(57,003)	(378,995)
At 31 December 2010 and 1 January 2011, as restated	**9,109,696**	**13,140,823**	**638,818**	**640,780**	**4,490,799**	**28,020,916**
Additions	**590,214**	**708,819**	**437,717**	**159,058**	**7,078,297**	**8,974,105**
Attributable to acquisition of subsidiaries	**18,335**	**114,225**	**6,053**	**760**	**–**	**139,373**
Disposals	**(205,808)**	**(229,652)**	**(18,242)**	**(7,215)**	**–**	**(460,917)**
Eliminated on disposal on a subsidiary	**(20,394)**	**–**	**(73)**	**(493)**	**–**	**(20,960)**
Reclassification from investment properties	**9,264**	**–**	**–**	**–**	**–**	**9,264**
Reclassification upon completion	**2,428,872**	**3,621,416**	**–**	**–**	**(6,050,288)**	**–**
Classified as assets held for sale	**(22,280)**	**(62,494)**	**(54)**	**(18)**	**(2,624)**	**(87,470)**
Depreciation charged for the year	**(462,732)**	**(1,497,475)**	**(119,916)**	**(130,884)**	**–**	**(2,211,007)**
Impairment loss recognised in the consolidated income statement	**(63,950)**	**(74,339)**	**(439)**	**(2,835)**	**–**	**(141,563)**
At 31 December 2011	**11,381,217**	**15,721,323**	**943,864**	**659,153**	**5,516,184**	**34,221,741**
At 31 December 2011						
Cost	**12,951,212**	**20,709,999**	**1,186,706**	**1,039,794**	**5,516,184**	**41,403,895**
Accumulated depreciation	**(1,359,249)**	**(4,795,184)**	**(233,578)**	**(363,760)**	**–**	**(6,751,771)**
Accumulated impairment loss	**(210,746)**	**(193,492)**	**(9,264)**	**(16,881)**	**–**	**(430,383)**
Carrying values	**11,381,217**	**15,721,323**	**943,864**	**659,153**	**5,516,184**	**34,221,741**
At 31 December 2010, as restated						
Cost	10,314,045	16,944,257	814,443	911,970	4,547,802	33,532,517
Accumulated depreciation	(981,260)	(3,575,600)	(166,772)	(257,046)	–	(4,980,678)
Accumulated impairment loss	(223,089)	(227,834)	(8,853)	(14,144)	(57,003)	(530,923)
Carrying values	9,109,696	13,140,823	638,818	640,780	4,490,799	28,020,916
At 1 January 2010, as restated						
Cost	6,072,531	11,404,728	541,324	527,630	3,713,960	22,260,173
Accumulated depreciation	(716,414)	(2,496,026)	(121,120)	(175,328)	–	(3,508,888)
Accumulated impairment loss	(65,025)	(80,070)	(1,350)	(6,087)	–	(152,532)
Carrying Value	5,291,092	8,828,632	418,854	346,215	3,713,960	18,598,753

21. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statement as follows:

	2011 ***RMB'000***	2010 *RMB'000* (Restated)
Cost of sales	**1,894,850**	1,464,808
Selling and marketing expenses	**47,941**	37,475
Administrative expenses	**268,216**	194,918
	2,211,007	1,697,201

(b) The buildings are held under medium term leases in the PRC.

(c) As at 31 December 2011, borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying values of approximately RMB2,529,504,000 (2010: RMB2,444,338,000) (Note 40).

(d) During the year, the directors of the Company conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, impairment loss of RMB141,563,000 (2010: RMB378,995,000) has been recognised for those assets, which are used in the cement segment and high-tech materials segment. The recoverable amounts of the relevant assets have been determined on the basis of their values in use.

(e) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5% to 5%
Plant and machinery	6.67% to 20%
Motor vehicles	10% to 20%
Furniture, office and other equipment	10% to 20%

(f) At 31 December 2011, the Group has not obtained the formal ownership certificates for certain properties including in the buildings above, the carrying values of which at that date were approximately RMB1,666,831,000 (2010: RMB693,717,000). In the opinion of the directors, the absence of formal title to these properties does not impair their values to the Group as the Group has paid the full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

22. PREPAID LEASE PAYMENTS

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Cost	**3,526,492**	3,273,971	2,276,709
Accumulated amortisation	**(356,913)**	(272,849)	(196,590)
Carrying values	**3,169,579**	3,001,122	2,080,119
Analysed for reporting purposes as:			
Current asset	**98,648**	89,147	67,447
Non-current asset	**3,070,931**	2,911,975	2,012,672
	3,169,579	3,001,122	2,080,119

(a) Prepaid lease payments represent the Group's interests in land which are held under medium-term leases between 30 to 50 years, all located in the PRC.

(b) Amortisation of prepaid lease payments has been charged to the cost of sales.

(c) As at 31 December 2011, borrowings are secured by certain prepaid lease payments of the Group with an aggregate carrying values of approximately RMB204,815,000 (2010: RMB253,235,000) (Note 40).

(d) At 31 December 2011, the Group has not obtained the formal ownership certificates for certain prepaid lease payments above, the carrying values of which at that date were approximately RMB197,159,000 (2010: RMB154,814,000). In the opinion of the directors, the absence of formal title to these prepaid lease payments does not impair their values to the Group as the Group has paid the full purchase consideration of these prepaid lease payments and the probability of being evicted on the ground of an absence of formal title is remote.

(e) During the year ended 31 December 2011, certain prepaid lease payments amounting to approximately RMB15,365,000 were classified as assets held for sale. The details are set out in Note 37.

23. INVESTMENT PROPERTIES

	2011 RMB'000	2010 RMB'000 (Restated)
At 1 January		
Cost	**158,917**	152,260
Accumulated depreciation	**(24,481)**	(25,120)
Carrying values	**134,436**	127,140
At 1 January	**134,436**	127,140
Additions	**3,271**	31,627
Attributable to acquisition of subsidiaries	**–**	7,336
Reclassification to property, plant and equipment	**(9,264)**	(22,128)
Depreciation charged for the year	**(7,668)**	(9,539)
At 31 December	**120,775**	134,436
At 31 December		
Cost	**149,967**	158,917
Accumulated depreciation	**(29,192)**	(24,481)
Carrying values	**120,775**	134,436
Fair values at 31 December *(Note b)*	**438,520**	463,494

(a) The investment properties are situated on pieces of land which are held under medium term leases of which are located in the PRC.

(b) The fair values of investment properties has been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, an independent qualified valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions, except for those located in areas where such information is not available, where discounted cash flow projections are used.

(c) All of the Group's investment properties are held to earn rentals.

(d) The above investment properties are depreciated on a straight-line basis over the shorter of the term of the lease and 30 years.

(e) The following amounts have been recognised in the consolidated income statement:

	2011 RMB'000	2010 RMB'000
Rental income recorded as other gains	**28,221**	34,722
Depreciation recorded as administrative expenses	**7,668**	9,539

(f) At 31 December 2010, borrowings were secured by certain investment properties of the Group with an aggregate carrying values of approximately RMB54,340,000 (2011: Nil) *(Note 40)*.

24. INTANGIBLE ASSETS

	Goodwill	Patent and proprietary technologies	Customer relationships	Trademarks	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010, as restated	48,438	33,046	6,205	54,278	9,750	151,717
Additions	–	9,454	–	–	20,645	30,099
Attributable to acquisition of subsidiaries	472,045	–	–	–	2,775	474,820
Amortisation charged for the year	–	(12,354)	(5,825)	(4,755)	(12,352)	(35,286)
Written off	–	(1,707)	–	–	(23)	(1,730)
At 31 December 2010 and 1 January 2011, as restated	520,483	28,439	380	49,523	20,795	619,620
Additions	–	19,523	–	2,416	9,810	31,749
Attributable to acquisition of subsidiaries	8,921	225	–	–	–	9,146
Amortisation charged for the year	–	(4,034)	(380)	(3,251)	(6,194)	(13,859)
Disposal	–	–	–	–	(495)	(495)
Impairment loss recognised in the consolidated income statement	(114,352)	–	–	–	–	(114,352)
At 31 December 2011	415,052	44,153	–	48,688	23,916	531,809
At 31 December 2011						
Cost	538,472	105,992	32,337	70,278	73,886	820,965
Accumulated amortisation	–	(60,261)	(32,337)	(21,590)	(49,970)	(164,158)
Accumulated impairment loss	(123,420)	(1,578)	–	–	–	(124,998)
Carrying values	415,052	44,153	–	48,688	23,916	531,809
At 31 December 2010, as restated						
Cost	529,551	86,422	32,337	67,862	65,082	781,254
Accumulated amortisation	–	(56,405)	(31,957)	(18,339)	(44,287)	(150,988)
Accumulated impairment loss	(9,068)	(1,578)	–	–	–	(10,646)
Carrying values	520,483	28,439	380	49,523	20,795	619,620
At 1 January 2010, as restated						
Cost	57,506	79,274	32,337	67,862	41,692	278,671
Accumulated amortisation	–	(44,650)	(26,132)	(13,584)	(31,942)	(116,308)
Accumulated impairment loss	(9,068)	(1,578)	–	–	–	(10,646)
Carrying values	48,438	33,046	6,205	54,278	9,750	151,717

24. INTANGIBLE ASSETS *(Continued)*

(a) Amortisation of intangible assets has been charged in administrative expenses.

(b) The goodwill impairment assessment is based on the recoverable amount of the CGU which is explained in Note 7 above. Particulars regarding impairment testing on goodwill are disclosed in Note 25.

(c) The above items of intangible assets are amortised on a straight-line basis at the following rates per annum:

Patent and proprietary technologies	10% to 33.33%
Customer relationships	20% to 33.33%
Trademarks	5% to 10%
Computer software	20% to 33.33%

25. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 24 have been allocated to seven individual CGUs. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2011 allocated to these units are as follows:

	2011 **RMB'000**	2010 *RMB'000*
High-tech materials segment – Shandong Taishan Composite Materials Co., Ltd ("Taishan Composite") and its subsidiaries (hereinafter collective referred to as "Taishan Composite Group")	**22,868**	22,868
Cement segment – Yixing Tianshan Cement Co. Ltd. ("Yixing Tianshan")	**22,718**	22,718
Cement segment – Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement") and its subsidiaries (hereinafter collective referred to as "Tianshan Cement Group")	**2,852**	2,852
Cement segment – Gansu Qilianshan Building Materials Holdings Company Limited ("Qilianshan Holdings")	**357,693**	472,045
Cement segment – Tianshui China Concrete Engineering Co. Ltd. ("Tianshui China")	**1,002**	–
Cement segment – Gansu Gulangxia Cement Co. Ltd. ("Gansu Gulangxia")	**7,220**	–
Cement segment – Xinjiang Wujie Building Materials Testing Co. Ltd. ("Xinjiang Wujie")	**699**	–
	415,052	520,483

During the year ended 31 December 2011, impairment loss of approximately RMB114,352,000 has been recognised in respect of the goodwill arising from the acquisition of Qilianshan Holdings since the expected future performance is expected to be less optimistic.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

During the year ended 31 December 2010, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Taishan Composite Group

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Taishan Composite Group's management covering a five-year period, and discount rate of 11.82% (2010: 7.70%). Taishan Composite Group's cash flows beyond the five-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 15% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin ranging from 20.36% to 23.01% (2010: 24.20% to 24.45%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Taishan Composite Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Taishan Composite Group to exceed the aggregate recoverable amount of Taishan Composite Group.

Yixing Tianshan

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Yixing Tianshan's management covering a five-year period, and discount rate of 12.30% (2010: 9.79%). Yixing Tianshan's cash flows beyond the five-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 11.38% to 17.58% (2010: 11.38% to 13.34%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Yixing Tianshan believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Yixing Tianshan to exceed the aggregate recoverable amount of Yixing Tianshan.

Tianshan Cement Group

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshan Cement Group's management covering a five-year period, and discount rate of 9.02% (2010: 7.97%). Tianshan Cement Group's cash flows beyond the five-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 22.13% to 28.25% (2010: 23.80% to 26.45%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Tianshan Cement Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshan Cement Group to exceed the aggregate recoverable amount of Tianshan Cement Group.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Qilianshan Holdings

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Qilianshan Holdings's management covering a five-year period, and discount rate of 9.71% (2010: 11.11%.) Qilianshan Holdings's cash flows beyond the five-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10.97% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 22.63% to 27.15% (2010: 27.60% to 31.98%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Qilianshan Holdings believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Qilianshan Holdings to exceed the aggregate recoverable amount of Qilianshan Holdings.

Tianshui China

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshui China's management covering a five-year period, and discount rate of 10.31%. Tianshui China's cash flows beyond the five-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 4.26% to 8.20%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Tianshui China believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshui China to exceed the aggregate recoverable amount of Tianshui China.

Gansu Gulangxia

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Gansu Gulangxia's management covering a five-year period, and discount rate of 12.50%. Gansu Gulangxia's cash flows beyond the five-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 10.97% to 16.82%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Gansu Gulangxia believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Gansu Gulangxia to exceed the aggregate recoverable amount of Gansu Gulangxia.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Xinjiang Wujie

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Xinjiang Wujie's management covering a five-year period, and discount rate of 18%. Xinjiang Wujie's cash flows beyond the five-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 80%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Xinjiang Wujie believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Xinjiang Wujie to exceed the aggregate recoverable amount of Xinjiang Wujie.

26. MINING RIGHTS

	2011 ***RMB'000***	2010 *RMB'000*
At 1 January		
Cost	**508,752**	166,803
Accumulated amortisation	**(68,737)**	(20,327)
Carrying values	**440,015**	146,476
At 1 January	**440,015**	146,476
Additions	**68,168**	68,643
Attributable to acquisition of subsidiaries	**68**	273,877
Amortisation charged for the year	**(31,085)**	(48,587)
Written off	**–**	(394)
At 31 December	**477,166**	440,015
At 31 December		
Cost	**576,466**	508,752
Accumulated amortisation	**(99,300)**	(68,737)
Carrying values	**477,166**	440,015

Mining rights are amortised over its concession period from 3 years to 30 years. Amortisation of mining rights has been charged to cost of sales.

27. JOINTLY CONTROLLED ENTITIES

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group consolidates its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group's share of assets and liabilities, turnover and results of jointly controlled entities included in the consolidated statement of financial position and consolidated income statement are as follows:

	2011 RMB'000	2010 RMB'000
Assets		
Non-current assets	**185,212**	233,068
Current assets	**164,201**	118,575
	349,413	351,643
Liabilities		
Non-current liabilities	**7,679**	11,091
Current liabilities	**194,346**	160,709
	202,025	171,800
Net assets	**147,388**	179,843
Turnover	**281,274**	240,726
Expense	**41,533**	42,322
Other Comprehensive income	**–**	–
Profit for the year	**7,850**	5,711

There are no material contingent liabilities and commitments relating to the Group's interests in the jointly controlled entities.

Particulars of the Group's principal jointly controlled entities are set out in Note 59(b).

28. INTERESTS IN ASSOCIATES

	2011	2010
	RMB'000	*RMB'000*
Cost of investments in associates		
– unlisted equity interests in the PRC	**1,009,576**	1,005,576
Share of post-acquisition profits and other comprehensive income, net of dividends	**257,234**	130,838
	1,266,810	1,136,414

(a) During the year ended 31 December 2009, included in the cost of investments in associates is goodwill of approximately RMB252,463,000 arising on acquisition of the listed associate. On 23 April 2010, Gansu Qilianshan Cement Group Co., Ltd. ("Qilianshan Co."), a former associate of the Group, became a non-wholly-owned subsidiary of the Company. The goodwill arising from the acquisition of Qilianshan Co. of RMB252,463,000 was derecognised on that date.

(b) Summarised financial information in respect of the Group's associates is set out below:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Total assets	**5,235,595**	3,786,025
Total liabilities	**(2,396,420)**	(1,584,354)
Non-controlling interests	**–**	–
Net assets	**2,839,175**	2,201,671
Group's share of net assets of associates	**1,266,810**	1,136,414
Revenue	**2,860,121**	1,906,339
Other comprehensive income	**–**	–
Profit for the year	**323,739**	258,999
Group's share of results of associates	**129,737**	70,124

28. INTERESTS IN ASSOCIATES *(Continued)*

(c) On 15 June 2009, the Group acquired 11.58% equity interests in Qilianshan Co. for a consideration of RMB501,050,000 and classified as an available-for-sale financial asset of the Company. On 28 July 2009, the Group appointed 3 of the 15 directors in the board of directors of Qilianshan Co.. Due to the appointment of directors, the directors of the Company consider that the Group does exercise significant influence over Qilianshan Co. and it is therefore classified as an associate. In September 2009, the Group acquired additional 0.30% equity interests in Qilianshan Co. for a consideration of approximately RMB16,862,000. On 23 April 2010, the Company acquired 51% equity interests in Qilianshan Holdings, a holding company of Qilianshan Co. and therefore Qilianshan Co. became a non-wholly-owned subsidiary of the Company thereafter.

Refer to Note 50(b) (i) for details of acquisition of Qilianshan Holdings.

(d) Particulars of the Group's principal associates are set out in Note 59(c).

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000*
Listed equity securities in PRC, at fair value	**2,190,435**	270,573
Unlisted equity securities		
– in PRC, at fair value	**–**	2,148,746
– in PRC, at cost	**153,321**	156,804
	2,343,756	2,576,123

(a) The listed equity investments are measured at fair value.

(b) Included in the unlisted equity investments are investments with net carrying amount of RMB153,321,000 (2010: RMB156,804,000) after impairment loss of RMB104,510,000 (2010: RMB104,510,000) measured at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. As at 31 December 2011 and 2010, the directors of the Company were of the opinion that no impairment loss on these available-for-sale financial assets is necessary.

(c) As at 31 December 2010, included in unlisted equity securities are investments in unlisted domestic shares in BBMG Corporation, a company listed on the Shanqhai Stock Exchange. The Group's investments in the domestic shares became listed on 1 March 2011. The decrease in fair value of approximately RMB133,878,000 has been charged to the other comprehensive income as a reduction to the investment revaluation reserve. As at 31 December 2010, the increase in fair value of approximately RMB357,779,000 had been credited to the other comprehensive income and accumulated in investment revaluation reserve.

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

(d) As at 31 December 2011 and 2010, included in listed equity securities are investments in legal person shares in Xinjiang West-construction Co., Ltd. ("West-construction"), a company listed on the Shenzhen Stock Exchange of the PRC. The Group's equity interests in the legal person shares of West-construction became transferable in the open market since 3 November 2010. As at 31 December 2011, the decrease in fair value of approximately RMB95,006,000 (2010: RMB20,836,000) has been charged to the other comprehensive income as a reduction to the investment revaluation reserve.

(e) During the year ended 31 December 2011, unlisted equity securities with a net carrying amount of RMB19,732,000 were disposed of and resulted in a loss of RMB2,825,000.

(f) All available-for-sale financial assets are denominated in RMB.

30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Current		**Non-current**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Derivative financial assets				
– Foreign currency forward contracts	**3,165**	34,464	**–**	–
Derivative financial liabilities				
– Foreign currency forward contracts	**138**	–	**775**	–
– Interest rate swap contract	**–**	–	**–**	3,415
	138	–	**775**	3,415

As at 31 December 2011, major terms of the foreign currency forward contracts are as follows:

Notional amounts	**Maturities**	**Exchange rates**
Sell USD10,000,000	31 January 2012	RMB6.4860: US$1
Sell USD10,000,000	29 February 2012	RMB6.4920: US$1
Sell USD10,000,000	26 March 2012	RMB6.4800: US$1
Buy USD1,000,000	25 January 2012	RMB6.3407: US$1
Buy USD1,000,000	22 February 2012	RMB6.3262: US$1
Buy USD1,000,000	23 March 2012	RMB6.3136: US$1
Buy USD1,000,000	23 April 2012	RMB6.3005: US$1
Buy USD1,000,000	30 May 2012	RMB6.3300: US$1

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notional amounts	Maturities	Exchange rates
Buy USD1,000,000	25 June 2012	RMB6.3188: US$1
Buy USD1,000,000	26 July 2012	RMB6.3090: US$1
Buy USD1,000,000	30 August 2012	RMB6.2968: US$1
Buy USD1,000,000	24 September 2012	RMB6.2828: US$1
Buy USD1,000,000	29 October 2012	RMB6.2688: US$1
Buy USD1,000,000	28 November 2012	RMB6.2548: US$1
Buy USD1,000,000	20 December 2012	RMB6.2415: US$1
Buy USD1,000,000	30 January 2013	RMB6.2281: US$1
Buy USD1,000,000	27 February 2013	RMB6.2148: US$1
Buy USD1,000,000	28 March 2013	RMB6.2015: US$1
Buy USD1,000,000	29 April 2013	RMB6.1881: US$1
Buy USD1,000,000	30 May 2013	RMB6.1748: US$1
Buy USD1,000,000	27 June 2013	RMB6.1628: US$1
Buy USD1,000,000	30 July 2013	RMB6.1508: US$1

As at 31 December 2010, major terms of the foreign currency forward contracts were as follows:

Notional amounts	Maturities	Exchange rates
Sell EUR5,000,000	31 January 2011	RMB9.1802: EUR1
Sell EUR5,000,000	28 February 2011	RMB9.2240: EUR1
Sell EUR5,000,000	28 February 2011	RMB9.1604: EUR1
Sell EUR10,000,000	14 March 2011	RMB8.7480: EUR1
Sell EUR5,000,000	31 March 2011	RMB9.0150: EUR1
Sell EUR5,000,000	31 March 2011	RMB9.1342: EUR1
Sell EUR5,000,000	15 April 2011	RMB9.0206: EUR1
Sell EUR5,000,000	29 April 2011	RMB9.1160: EUR1
Sell EUR10,000,000	13 May 2011	RMB8.9500: EUR1
Sell EUR10,000,000	31 May 2011	RMB9.0314: EUR1
Sell US$5,000,000	1 January 2011	RMB6.6220: US$1
Sell US$10,000,000	18 January 2011	RMB6.6080: US$1
Sell US$5,000,000	1 February 2011	RMB6.6020: US$1
Sell US$5,000,000	1 March 2011	RMB6.5920: US$1
Sell US$5,000,000	1 April 2011	RMB6.5790: US$1
Sell US$5,000,000	1 May 2011	RMB6.5620: US$1
Sell US$5,000,000	1 June 2011	RMB6.5470: US$1
Sell US$10,000,000	1 July 2011	RMB6.5370: US$1
Sell US$3,000,000	29 July 2011	RMB6.5620: US$1
Sell US$5,000,000	1 August 2011	RMB6.5620: US$1
Sell US$10,000,000	1 August 2011	RMB6.5270: US$1

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notional amounts	Maturities	Exchange rates
Sell US$3,000,000	31 August 2011	RMB6.5448: US$1
Sell US$10,000,000	1 September 2011	RMB6.5170: US$1
Sell US$10,000,000	30 September 2011	RMB6.5360: US$1
Sell US$10,000,000	1 October 2011	RMB6.5070: US$1
Sell US$3,000,000	31 October 2011	RMB6.5100: US$1
Sell US$10,000,000	1 November 2011	RMB6.4970: US$1
Sell US$10,000,000	30 November 2011	RMB6.5000: US$1
Sell US$10,000,000	1 December 2011	RMB6.4820: US$1
Sell US$3,000,000	20 December 2011	RMB6.4940: US$1
Sell EUR5,000,000	10 January 2011	US$1.2868: EUR1 and RMB6.7849: US$1
Sell EUR5,000,000	10 February 2011	US$1.2851: EUR1 and RMB6.7829: US$1
Sell EUR5,000,000	11 March 2011	US$1.2863: EUR1 and RMB6.7777: US$1
Sell EUR5,000,000	11 April 2011	US$1.2859: EUR1 and RMB6.7713: US$1
Sell EUR5,000,000	10 May 2011	US$1.2858: EUR1 and RMB6.7649: US$1

As at 31 December 2010, major terms of the interest rate swap contract was as follows:

Notional amounts	Maturities	Swaps
RMB277,670,000	20 December 2012	From 0.45% when US$ CMS30[1] ≥3.9% and US$6-month LIBOR[2] ≤7% to US$ CMS30<3.9% and US$6-month LIBOR>7%

1 CMS30 represented the 30-year constant maturity swap.

2 LIBOR represented London inter-bank offered rate.

31. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

(a) Balance as at 31 December 2011 of RMB101,400,000 represents a non-refundable deposit paid by Qilianshan Co., a non-wholly owned subsidiary of the Group for the acquisition of 65% equity interests in Xiahe Anduo Cement Co. Ltd. pursuant to a framework agreement signed on 27 October 2011.

The acquisition has not been completed as of the date of these consolidated financial statements.

(b) Balance as at 1 January 2010 included RMB332,770,000 which represented deposits paid by the Company for capital injection into and acquisition of Qilianshan Holdings.

The capital injection and acquisition on Qilianshan Holdings had been completed on 23 April 2010. Details of the capital injection and acquisition are set out in Note 50 (b)(i).

(c) Balance as at 1 January 2010 included RMB300,000,000 which represented the deposit paid by Sinoma Cement Co., Ltd. ("Sinoma Cement"), a wholly-owned subsidiary of the Group, to acquire the 100% equity interests in Anhui Yingpu Jinlong Cement Co., Ltd. ("Anhui Yingpu") according to a framework agreement signed in February 2008.

The acquisition on Anhui Yingpu has been completed on 11 February 2010. Details of the acquisition are set out in Note 50(b)(ii).

32. INVENTORIES

	31 December 2011 ***RMB'000***	31 December 2010 *RMB'000* (Restated)	1 January 2010 *RMB'000* (Restated)
Raw materials	**2,337,761**	1,836,927	1,237,561
Work-in-progress	**2,717,592**	1,662,250	1,892,630
Finished goods	**3,101,969**	1,862,083	1,413,995
	8,157,322	5,361,260	4,544,186

During the year ended 31 December 2011, reversal of allowance of inventories of approximately RMB9,150,000 (2010: RMB3,563,000) has been recognised as the corresponding inventories were either sold or used.

33. TRADE AND OTHER RECEIVABLES

	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
Trade receivables and retentions			
Trade and bills receivables	**9,284,669**	5,697,494	3,633,989
Retentions	**122,691**	97,893	145,821
	9,407,360	5,795,387	3,779,810
Less: Impairment loss recognised	**(767,167)**	(549,032)	(466,178)
Trade receivables and retentions, net	**8,640,193**	5,246,355	3,313,632
Loan receivables, prepayments, deposits, staff advances and other receivables			
Loan receivables *(Note h)*	**102,199**	92,115	96,942
Prepayments to suppliers and subcontractors	**6,024,215**	4,360,839	4,314,406
Staff advances	**76,969**	115,141	149,077
Deposits	**65,816**	106,026	90,087
Other receivables	**1,001,309**	722,320	651,385
	7,270,508	5,396,441	5,301,897
Less: Impairment loss recognised	**(146,869)**	(132,012)	(132,206)
Loan receivables, prepayments, deposits, staff advances and other receivables, net	**7,123,639**	5,264,429	5,169,691
Total trade and other receivables	**15,763,832**	10,510,784	8,483,323
Less: Non-current portion			
Retentions	**(75,846)**	(72,170)	(68,424)
Current portion	**15,687,986**	10,438,614	8,414,899

33. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis of the Group's trade receivables and retentions net of impairment loss at the end of the reporting period presented based on the invoice date are as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Less than 6 months	**7,022,203**	4,152,476	2,103,285
6 months to 1 year	**965,171**	608,648	740,421
1 year to 2 years	**469,503**	298,277	325,526
2 years to 3 years	**142,648**	133,303	112,272
Over 3 years	**40,668**	53,651	32,128
	8,640,193	5,246,355	3,313,632

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

(b) As at 31 December 2011, RMB766,941,000 (2010: RMB702,084,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Less than 6 months	**73,234**	95,601	86,295
6 months to 1 year	**146,467**	199,124	164,418
1 year to 2 years	**396,277**	225,745	314,998
2 years to 3 years	**128,285**	128,752	34,320
Over 3 years	**22,678**	52,862	31,614
	766,941	702,084	631,645

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

33. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
RMB	**14,825,260**	9,634,429	7,084,539
US$	**386,014**	328,761	558,448
EUR	**210,769**	252,618	638,084
AED	**–**	–	1,719
NGN	**–**	–	5,971
ALL	**53,945**	64,249	29,009
SAR	**129,427**	97,849	23,577
AZN	**67,210**	75,862	6,447
Others	**91,207**	57,016	135,529
	15,763,832	10,510,784	8,483,323

(d) The Group does not hold any collateral over the balances of loan and other receivables.

(e) Movement on the impairment loss of trade receivables is as follows:

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
As at 1 January	**549,032**	466,178
Impairment loss recognised	**248,603**	113,431
Attributable to acquisition of a subsidiary	**–**	1,628
Receivables written off as uncollectible	**(30,468)**	(32,205)
As at 31 December	**767,167**	549,032

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately RMB767,167,000 (2010: RMB549,032,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to customers that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

33. TRADE AND OTHER RECEIVABLES *(Continued)*

(f) Movement on the impairment loss of other receivables is as follows:

	2011 **RMB'000**	2010 *RMB'000* (Restated)
As at 1 January	**96,338**	102,039
Impairment loss recognised	**31,188**	21,029
Receivables written off as uncollectible	**(22,532)**	(26,730)
As at 31 December	**104,994**	96,338

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately RMB104,994,000 (2010: RMB96,338,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

(g) Movement on the impairment loss of loan receivables is as follows:

	2011 **RMB'000**	2010 *RMB'000* (Restated)
As at 1 January	**35,674**	30,167
Impairment loss recognised	**6,201**	5,507
As at 31 December	**41,875**	35,674

Included in the impairment loss recognised are individually impaired loan receivables with an aggregate balance of approximately RMB41,875,000 (2010: RMB35,674,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

(h) For the year ended 31 December 2011, the interest bearing loan receivables amounted to RMB19,000,000 (2010: RMB20,000,000) bear interest at ranged from 5.31% to 6.95% (2010: 5.23% to 5.31%). The remaining loan receivables amounted RMB83,199,000 (2010: RMB72,115,000) are non-interest bearing. The interest bearing and non-interest bearing loan receivables are unsecured and repayable on demand.

34. CONTRACT WORK-IN-PROGRESS

	2011	2010
	RMB'000	*RMB'000*
Contract cost incurred plus recognised profit less recognised losses	**43,249,815**	34,764,822
Less: Progress billings	**(43,040,037)**	(35,022,083)
Contract work-in-progress	**209,778**	(257,261)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**341,073**	183,628
Amounts due to customers for contract work	**(131,295)**	(440,889)
	209,778	(257,261)
Contract revenue recognised as turnover	**12,578,639**	13,742,624

Included in the trade and other receivable are retentions due from customers for contract works of approximately RMB122,691,000 (2010: RMB97,893,000).

Included in the trade and other payables are advances received from customers for contract works of approximately RMB5,375,797,000 (2010: RMB6,908,581,000).

When it is probable that total contract costs exceed total contract revenue, the foreseeable loss is recognised as an expense immediately.

During the year ended 31 December 2011, foreseeable losses on construction contracts of approximately RMB123,426,000 (2010: RMB126,748,000) have been recognised in the consolidation income statement.

35. RESTRICTED BANK BALANCES

The carrying amounts of the Group's restricted bank balances are denominated in the following currencies:

	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
RMB	**1,904,211**	1,246,915	1,548,353
US$	**10,809**	5,764	3,863
EUR	**3,095**	4,966	8,370
Others	**928**	95	1,302
	1,919,043	1,257,740	1,561,888

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of performance bonds of approximately RMB133,187,000 (2010: RMB775,901,000) and letter of credits to customers or bank acceptance notes to suppliers.

As at 31 December 2011, the fixed interest rate on restricted bank balances, with maturities ranging from 6 months to 1 year, ranged from 0.36% to 3.10% (2010: 0.36% to 2.25%) per annum.

36. BANK BALANCES AND CASH

	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
Cash at bank and in hand	**7,851,907**	8,642,945	5,667,296
Bank deposits			
– Term deposits	**1,364,103**	3,199,334	3,672,389
– Other bank deposits	**941,511**	1,414,314	778,043
	2,305,614	4,613,648	4,450,432
Cash and cash equivalents	**10,157,521**	13,256,593	10,117,728

36. BANK BALANCES AND CASH *(Continued)*

(a) The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
RMB	**9,408,882**	12,014,987	9,141,938
US$	**252,541**	415,851	458,489
EUR	**214,546**	481,924	122,523
ZAR	**26,182**	80,439	20,896
EGP	**8,434**	72,658	11,958
VND	**30,670**	36,101	12,824
NGN	**12,095**	24,511	87,327
SAR	**62,718**	18,656	–
SYP	**4,113**	12,934	8,117
OMR	**227**	9,815	19,104
XOF	**2,856**	8,881	4,519
MYR	**63,389**	7,126	–
YER	**191**	5,216	1,429
IQD	**45,873**	5,006	893
AED	**964**	3,614	136,403
AZN	**6,654**	1,593	19,604
ALL	**377**	699	11,073
Others	**16,809**	56,582	60,631
	10,157,521	13,256,593	10,117,728

(b) As at 31 December 2011, the fixed interest rate on term deposits with initial terms over three months ranged from 2.25% to 5.50% (2010: 1.91% to 4.14%) per annum.

As at 31 December 2011, the fixed interest rate on other bank deposits with initial terms ranging from one month to three months ranged from 2.25% to 3.10% (2010: 2.25% to 3.50%) per annum.

(c) Cash at bank denominated in RMB are deposited with banks in the PRC at the prevailing market rate. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

37. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATES WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 28 December, 2011, the group entered into a sale and purchase agreement with an independent third party for the disposal of the group's entire 100% equity interests in Taian City Electric Power Co. Ltd. ("Taian Electric"), a wholly-owned subsidiary of the Company for a cash consideration of RMB270 million. Up to the date of these consolidated financial statements, the disposal had not yet been completed. The following amounts represent the assets and liabilities of Taian Electric as at 31 December 2011, which are presented separately in the consolidated statement of financial position at 31 December 2011.

	31 December 2011
	RMB'000
Assets	
Property, plant and equipment	87,470
Prepaid lease payments	15,365
Inventories	8,839
Trade and other receivables	825
Bank balances and cash	4,927
	117,426
Liabilities	
Trade and other payables	10,886
Income tax liabilities	1,152
	12,038

38. TRADE AND OTHER PAYABLES

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Trade payables	**12,324,469**	9,258,378	7,226,333
Deposits, advances, accruals and other payables			
Prepayment from customers	**8,157,592**	9,393,135	10,406,673
Accrued payroll and welfare	**444,506**	341,733	193,654
Accrued social security costs	**284,750**	247,610	201,741
Other taxes	**325,815**	270,661	152,023
Accrued expenses	**277,967**	221,180	169,210
Deposits payable	**152,497**	181,200	143,072
Dividends payable to non-controlling interests by subsidiaries	**112,825**	79,422	58,113
Other payables	**654,322**	815,895	952,698
	10,410,274	11,550,836	12,277,184
Total trade and other payables	**22,734,743**	20,809,214	19,503,517
Less: Non-current portion:			
Accrued payroll and welfare	**4,120**	1,197	1,438
Current portion	**22,730,623**	20,808,017	19,502,079

(a) Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date are as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 6 months	**8,071,656**	4,852,405	4,249,504
6 months to 1 year	**2,163,733**	2,456,338	1,990,677
1 year to 2 years	**1,703,385**	1,634,339	789,146
2 years to 3 years	**228,636**	147,806	100,680
Over 3 years	**157,059**	167,490	96,326
	12,324,469	9,258,378	7,226,333

38. TRADE AND OTHER PAYABLES *(Continued)*

The credit period on purchases of goods ranges from 90 days to 180 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
RMB	**21,672,640**	19,648,288	18,782,802
US$	**377,520**	391,033	92,795
EUR	**557,818**	597,602	591,011
HK$	**–**	–	995
AED	**–**	–	10,757
NGN	**27,746**	27,693	21,264
ALL	**14,524**	10,446	–
AZN	**9,530**	9,634	–
ZAR	**63,935**	77,149	–
Others	**11,030**	47,369	3,893
	22,734,743	20,809,214	19,503,517

(c) Non-current portion of accrued payroll and welfare represents the portion of accrued employee housing allowances, payable to employees over their years of service to the Group, expected to be settled over one year from the end of the reporting period.

39. SHORT-TERM FINANCING BILLS

	31 December 2011	31 December 2010
	RMB'000	*RMB'000*
Short-term financing bills	**800,000**	400,000

On 21 January 2010, Qilianshan Co., a non-wholly-owned subsidiary acquired by the Group through the acquisition of Qilianshan Holdings on 23 April 2010 as detailed in Note 50(b)(i), issued one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 3.99% per annum and the principal together with the interest thereon were repaid on maturity of the bills during the current reporting period.

On 25 March 2011, Qilianshan Co. issued another one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interests rate of 5.10% per annum and the interest is payable on maturity of the bills.

39. SHORT-TERM FINANCING BILLS *(Continued)*

On 14 November 2011, Tianshan Cement issued one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 6.86% per annum and the interest is payable on maturity of the bills.

40. BORROWINGS

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Non-current			
Long-term bank borrowings			
– Secured (Note a)	**771,464**	1,237,746	1,335,977
– Unsecured	**8,824,460**	9,262,561	5,483,386
	9,595,924	10,500,307	6,819,363
Other borrowings			
– Secured (Note a)	**2,000**	2,000	2,000
– Unsecured	**43,079**	41,436	44,080
	45,079	43,436	46,080
Total non-current borrowings	**9,641,003**	10,543,743	6,865,443
Current			
Current portion of long-term bank borrowings			
– Secured (Note a)	**205,000**	39,416	320,878
– Unsecured	**1,085,100**	696,504	448,403
	1,290,100	735,920	769,281
Short-term bank borrowings			
– Secured (Note a)	**591,740**	403,170	522,360
– Unsecured	**8,952,449**	6,019,975	3,574,227
	9,544,189	6,423,145	4,096,587
Other borrowings			
– Secured (Note a)	**–**	–	1,000
– Unsecured	**2,776,115**	1,019,124	602,765
	2,776,115	1,019,124	603,765
Total current borrowings	**13,610,404**	8,178,189	5,469,633
Total borrowings	**23,251,407**	18,721,932	12,335,076

40. BORROWINGS *(Continued)*

Notes:

(a) Secured borrowings of the Group as at 31 December 2011 and 2010 were secured by the Group's property, plant and equipment (Note 21) and prepaid lease payments (Note 22). Secured borrowings of the Group at 31 December 2010 were further secured by the Group's investment properties (Note 23).

(b) The exposure of borrowings to interest rate changes is as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Fixed-rate borrowings	**9,588,787**	8,897,598	4,537,200
Variable-rate borrowings	**13,662,620**	9,824,334	7,797,876
	23,251,407	18,721,932	12,335,076

(c) The maturities of total borrowings are set out as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 1 year	**13,610,404**	8,178,189	5,469,633
1 year to 2 years	**2,188,767**	3,778,543	1,441,637
2 years to 5 years	**5,078,290**	4,809,423	4,261,089
Wholly repayable within 5 years	**20,877,461**	16,766,155	11,172,359
Over 5 years	**2,373,946**	1,955,777	1,162,717
	23,251,407	18,721,932	12,335,076

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
RMB	**22,921,010**	18,541,028	12,245,866
US$	**330,397**	180,904	89,210
	23,251,407	18,721,932	12,335,076

40. BORROWINGS *(Continued)*

(e) Certain borrowings of the Group are guaranteed by other state-owned enterprises and independent third parties. The amounts of the guarantees provided by other state-owned enterprises and independent third parties to the Group at the end of the reporting period are as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Guarantees provided by:			
Other state-owned enterprises	**20,000**	–	6,000
Independent third parties	**691,120**	703,210	898,747
	711,120	703,210	904,747

(f) The weighted average effective interest rates (per annum) at the end of the respective reporting periods are as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Bank borrowings			
– RMB	**6.53%**	5.07%	5.37%
– US$	**3.40%**	2.75%	3.72%
Other borrowings			
– RMB	**5.38%**	4.74%	4.44%

(g) The undrawn borrowing facilities are as follows:

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Floating rate			
– Expiring within 1 year	**14,985,655**	8,411,991	8,360,130
– Expiring beyond 1 year	**8,730,422**	5,869,675	4,711,410
Fixed rate			
– Expiring within 1 year	**6,587,001**	1,817,354	3,002,120
– Expiring beyond 1 year	**327,000**	799,500	733,600
	30,630,078	16,898,520	16,807,260

41. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS

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

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

	2011	2010
	RMB'000	*RMB'000*
Total liability in the consolidated statement of financial position	**346,019**	352,440
Less: Current portion	**(44,525)**	(34,532)
	301,494	317,908

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

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**352,440**	163,172
For the year		
– Attributable to acquisition of subsidiaries *(Note 50)*	**–**	162,070
– Interest cost *(Note 17)* (included in administrative expenses)	**11,738**	10,769
– Actuarial losses *(Note 17)* (included in administrative expenses)	**26,366**	50,961
	38,104	223,800
– Payments	**(44,525)**	(34,532)
At 31 December	**346,019**	352,440

41. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

The above obligations were determined based on actuarial valuations performed by an independent and qualified actuarial firm, Mercer Consulting (China) Limited, using the projected unit credit method. The material actuarial assumptions used in valuing these obligations are as follows:

(a) Discount rates adopted (per annum):

	2011	2010
Discount rates	**3.6%**	4%

The effect of above changes in discount rates was reflected as actuarial gains and losses and charged to the consolidated income statement in the period of change;

(b) Early-retirees' and retirees' supplemental pension subsidies increase rate: 0%-1% (2010: 0%);

(c) Early-retirees' and retirees' (where applicable) pension contributions increase rate: 5% (2010: 5%), depending on whether the pension contributions are subject to the change of the minimum social security contribution stipulated by the government;

(d) Medical cost trend rate: 6% (2010: 6%);

(e) Mortality: Average life expectancy of residents in the PRC; and

(f) Medical costs paid to certain early-retirees' and retirees' are assumed to continue until the death of the retirees.

Sensitivity analysis:

As at 31 December 2011, an increase or decrease of one percentage point in the assumed trend rates will cause the current service cost and interest cost components of the net periodic post-employment medical costs, collectively, to increase by approximately RMB110,000 and decrease by approximately RMB93,000 respectively. The effect on the accumulated post-employment benefit obligation for medical costs will also increase by approximately RMB2,991,000 and decrease by approximately RMB2,550,000 respectively.

42. CASH-SETTLED SHARE-BASED PAYMENTS

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

42. CASH-SETTLED SHARE-BASED PAYMENTS *(Continued)*

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

During the year ended 31 December 2011, no share appreciation rights granted was exercised or expired. As at 31 December 2011, the expiry date of the outstanding share appreciation rights is six years.

For the year ended 31 December 2011, the Group has recorded liabilities and expenses of approximately RMB1,127,000 (2010: RMB316,000) related to the share appreciation rights. The fair value of share appreciation rights is determined using the Black-Scholes pricing model with expected volatility of 50% (2010: 50%), risk free rate of 3.04% (2010: 4.46%) and dividend yield of 1% (2010: 1%). The share appreciation rights liability was recorded in accrued payroll and welfare in trade and other payables and administrative expenses.

43. PROVISIONS

	2011	2010
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current liabilities	**44,874**	31,874
Current liabilities	**41,398**	35,104
	86,272	66,978

43. PROVISIONS *(Continued)*

	Provision for litigation RMB'000 (Note i)	Warranties RMB'000 (Note ii)	Total RMB'000
At 1 January 2010	–	–	–
Additional provision recognised	27,780	39,743	67,523
Utilised during the year	–	(545)	(545)
At 31 December 2010 and 1 January 2011	27,780	39,198	66,978
Additional provision recognised	–	28,693	28,693
Utilised during the year	–	(9,399)	(9,399)
At 31 December 2011	**27,780**	**58,492**	**86,272**

Notes:

(i) Provision for litigation is made based on management's best estimates and judgment, as described in Note 7 above.

(ii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Groups' obligations for warranties under the sale contracts. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

44. CORPORATE BONDS

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000*
Corporate bonds, at amortised cost	**2,487,829**	2,485,545

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

The corporate bonds are denominated in RMB. The effective interest rate of the corporate bonds is 5.52% per annum.

45. MEDIUM-TERM NOTES

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000*
Medium-term notes, at amortised cost	**4,352,670**	1,700,000

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

Date of issue	**Principal** *(RMB'000)*	**Term**	**Contractual interest rate**	**Interest payment**	**Effective interest rate**
10 March 2010	1,700,000	5 years	4.48% per annum	Annually	4.48%
21 April 2011	660,000	5 years	6.16% per annum	Annually	6.41%
20 October 2011	500,000	5 years	7.00% per annum	Annually	7.00%
25 October 2011	700,000	5 years	7.99% per annum	Annually	7.99%
24 November 2011	800,000	5 years	5.83% per annum	Annually	5.89%

46. DEFERRED INCOME

	Government grants relating to research and development expenditure *RMB'000*	**Government grants relating to property, plant and equipment** *RMB'000*	**Government grants relating to land use rights** *RMB'000*	**Total** *RMB'000*
At 1 January 2010 (restated)	85,694	169,793	78,812	334,299
Additions	26,806	3,503	5,942	36,251
Utilised/amortised during the year	(26,390)	(55,221)	(5,665)	(87,276)
At 31 December 2010 and 1 January 2011 (restated)	86,110	118,075	79,089	283,274
Additions	113,948	167,655	48,773	330,376
Attributable to acquisition of subsidiaries	8,249	–	–	8,249
Utilised/amortised during the year	(95,076)	(66,812)	(13,529)	(175,417)
At 31 December 2011	**113,231**	**218,918**	**114,333**	**446,482**

46. DEFERRED INCOME *(Continued)*

In 2011, the Group received government grants of approximately RMB113,948,000 (2010: RMB26,806,000) towards the research and development expenditure. The amounts have been treated as deferred income and are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. This policy has resulted in a credit to income in the current year of approximately RMB95,076,000 (2010: RMB26,390,000). As at 31 December 2011, an amount of approximately RMB113,231,000 (2010: RMB86,110,000) remains unutilised.

In 2011, the Group received government grants of approximately RMB216,428,000 (2010: RMB9,445,000) towards the cost of construction of property, plant and equipment and acquisition of land use rights. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets. This policy has resulted in a credit to income in the current year of approximately RMB80,341,000 (2010: RMB60,886,000). As at 31 December 2011, an amount of approximately RMB333,251,000 (2010: RMB197,164,000) remains unamortised.

47. DEFERRED INCOME TAX

The movements in deferred income tax assets and liabilities during the year are as follows:

(a) Deferred income tax assets

	Provision for impairment of assets	Assets revaluation surplus during the Reorganisation	Tax losses	Deferred income arising from government grants	Unrealised profit on inter-company transactions	Provision for early retirement and supplemental benefit obligations	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010 (restated)	158,146	5,353	–	10,256	29,390	27,528	32,345	263,018
Acquisition of subsidiaries	19,511	–	946	1,382	24	26,353	31,897	80,113
Credited (charged) to the consolidated income statement	36,699	(356)	5,004	10,897	38,025	(5,432)	21,691	106,528
Effect of changes in tax rates	(1,365)	–	–	–	–	(718)	–	(2,083)
At 31 December 2010 and 1 January 2011 (restated)	212,991	4,997	5,950	22,535	67,439	47,731	85,933	447,576
Acquisition of subsidiaries	5,464	–	–	–	–	–	628	6,092
Eliminated on disposal of subsidiary	(200)	–	–	–	–	–	–	(200)
Credited (charged) to the consolidated income statement	27,075	1,435	7,764	(4,058)	97,929	12,943	(3,289)	139,799
Effect of changes in tax rates	1,084	–	–	–	–	–	–	1,084
At 31 December 2011	**246,414**	**6,432**	**13,714**	**18,477**	**165,368**	**60,674**	**83,272**	**594,351**

47. DEFERRED INCOME TAX *(Continued)*

(b) Deferred income tax liabilities

	Assets revaluation surplus in business combinations	Borrowings reassessed in debt restructurings	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	140,024	4,445	389,045	533,514
Attributable to acquisition of subsidiaries	156,394	–	–	156,394
Charged to other comprehensive income	–	–	86,325	86,325
Credited to consolidated income statement	(38,398)	(1,169)	–	(39,567)
Effect of changes in tax rates	(3,358)	–	–	(3,358)
At 31 December 2010 and 1 January 2011	254,662	3,276	475,370	733,308
Attributable to acquisition of subsidiaries	3,060	–	–	3,060
Credited to other comprehensive income	–	–	(47,912)	(47,912)
Credited to consolidated income statement	(16,181)	(634)	–	(16,815)
At 31 December 2011	**241,541**	**2,642**	**427,458**	**671,641**

47. DEFERRED INCOME TAX *(Continued)*

(c) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2011, a deferred tax asset has been recognised in respect of RMB82,657,000 (2010: RMB23,800,000) of such losses. No deferred tax assets has been recognised in respect of the remaining tax losses amounting to approximately RMB768,190,000 (2010: RMB358,360,000), as management believes it is more likely than not that such tax losses would not be realised before they expire. The expiry of the unrecognised deferred income tax assets relating to tax losses are analysed as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**18,830**	6,415
Between 1 to 2 years	**75,078**	18,830
Between 2 to 3 years	**47,625**	75,078
Between 3 to 4 years	**210,412**	47,625
Between 4 to 5 years	**416,245**	210,412
	768,190	358,360

48. SHARE CAPITAL

	Unlisted domestic shares		Unlisted foreign shares		H Shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
Registered, issued and fully paid:								
1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	2,276,523	2,276,523	130,793	130,793	1,164,148	1,164,148	3,571,464	3,571,464

49. RESERVES

Safety fund

	2011 RMB'000	2010 RMB'000
At 1 January	**70,623**	48,730
Safety fund set aside	**54,437**	51,527
Utilisation of safety fund	**(38,394)**	(29,634)
At 31 December	**86,666**	70,623

Foreign exchange reserve

	2011 RMB'000	2010 RMB'000
At 1 January	**274**	995
Exchange differences arising on translation	**(12,797)**	(721)
At 31 December	**(12,523)**	274

Investment revaluation reserve

	2011 RMB'000	2010 RMB'000
At 1 January	**1,390,727**	1,129,810
(Loss) gain on fair value changes of available-for-sale financial assets	**(174,849)**	349,059
Deferred income tax arising on fair value changes of available-for-sale financial assets	**39,807**	(88,142)
At 31 December	**1,255,685**	1,390,727

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(a) Business combinations for the year ended 31 December 2011

(i) Shandong Shengxin Precious Metal Co., Ltd. ("Shandong Shengxin")

On 1 January 2011, the Group acquired 75% equity interests in Shandong Shengxin from certain independent third parties for an aggregate cash consideration of approximately RMB12,925,000. Shandong Shengxin is principally engaged in the production of glass fiber and was acquired with the objective of improving the supply of glass fiber. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	12,925

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

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

	RMB'000
Plant and equipment	10,175
Intangible assets	225
Inventories	2,124
Trade and other receivables	6,663
Bank balances and cash	23,419
Trade and other payables	(14,757)
Income tax liabilities	(6,911)
Deferred income	(590)
	20,348
Less: Non-controlling interests attributable to subsidiaries of Shandong Shengxin	(3,115)
	17,233

	RMB'000
Consideration transferred	12,925
Plus: non-controlling interests (25% in Shandong Shengxin)	4,308
Less: net assets acquired	(17,233)
	–

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(i) Shandong Shengxin Precious Metal Co., Ltd. ("Shandong Shengxin") *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to RMB6,662,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB6,662,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

The non-controlling interests in Shandong Shengxin recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shandong Shengxin and amounted to RMB7,423,000.

Net cash inflow on acquisition of Shandong Shengxin

	RMB'000
Cash consideration paid	(12,925)
Cash and cash equivalents acquired	23,419
	10,494

Included in the profit for the year is RMB2,547,000 attributable to the additional business generated by Shandong Shengxin. Turnover for the year includes RMB15,912,000 generated from Shandong Shengxin.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(ii) Tianshui China Concrete Company Limited ("Tianshui China")

On 1 September 2011, the Group acquired 60% equity interests in Tianshui China from an independent third party for an aggregate cash consideration of approximately RMB15,794,000. Tianshui China is principally engaged in the production of concrete and cement and was acquired so as to continue the expansion of the Group's cement operations. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	15,794

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

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

	RMB'000
Plant and equipment	37,476
Prepaid lease payments	9,426
Available-for-sale financial assets	12,900
Inventories	10,059
Trade and other receivables	41,305
Bank balances and cash	877
Trade and other payables	(55,174)
Borrowings	(25,500)
Income tax liabilities	(3,683)
Deferred income tax liabilities	(3,033)
	24,653

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(ii) Tianshui China Concrete Company Limited ("Tianshui China") *(Continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	15,794
Plus: non-controlling interest (40% in Tianshui China)	9,861
Less: net assets acquired	(24,653)
Goodwill arising on acquisition	1,002

The fair value of trade and other receivables at the date of acquisition amounted to RMB41,305,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB41,305,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at acquisition date.

The non-controlling interest in Tianshui China recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Tianshui China and amounted to RMB9,861,000.

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

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

Net cash outflow on acquisition of Tianshui China

	RMB'000
Cash consideration paid	(15,794)
Cash and cash equivalents acquired	877
	(14,917)

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(ii) Tianshui China Concrete Company Limited ("Tianshui China") *(Continued)*

Included in the profit for the year is RMB5,943,000 attributable to the additional business generated by Tianshui China. Turnover for the year includes RMB61,901,000 generated from Tianshui China.

Had the acquisition been completed on 1 January 2011, total turnover of the Group for the year would have been RMB50,763,587,000, and profit for the year would have been RMB3,967,670,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Tianshui China been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iii) Gansu Gulangxia Cement Company Limited ("Gansu Gulangxia")

On 1 October 2011, the Group acquired 100% equity interests in Gansu Gulangxia from an independent third party for an aggregate cash consideration of approximately RMB62,720,000. Gansu Gulangxia is principally engaged in the production of cement and was acquired so as to continue the expansion of the Group's cement operations. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	62,720

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(iii) Gansu Gulangxia Cement Company Limited ("Gansu Gulangxia") *(Continued)*

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

	RMB'000
Plant and equipment	91,545
Prepaid lease payments	3,988
Mining rights	68
Deferred income tax assets	6,092
Inventories	13,689
Trade and other receivables	60,257
Bank balances and cash	3,986
Trade and other payables	(108,066)
Borrowings	(5,543)
Income tax liabilities	(2,857)
Deferred income	(7,659)
	55,500

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	62,720
Less: net assets acquired	(55,500)
Goodwill arising on acquisition	7,220

The fair value of trade and other receivables at the date of acquisition amounted to RMB60,257,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB60,257,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at acquisition date.

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

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(iii) Gansu Gulangxia Cement Company Limited ("Gansu Gulangxia") *(Continued)*

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

Net cash outflow on acquisition of Gansu Gulangxia

	RMB'000
Cash consideration paid	(62,720)
Cash and cash equivalents acquired	3,986
	(58,734)

Included in the profit for the year is loss amounted to RMB2,023,000 attributable to the additional business generated by Gansu Gulangxia. Turnover for the year includes RMB10,891,000 generated from Gansu Gulangxia.

Had the acquisition been completed on 1 January 2011, total turnover of the Group for the year would have been RMB50,758,066,000, and profit for the year would have been RMB3,961,815,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Gansu Gulangxia been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iv) Xinjiang Wujie Building Materials Testing Company Limited ("Xinjiang Wujie")

On 31 December 2011, the Group acquired 100% equity interests in Xinjiang Wujie from an independent third party for an aggregate cash consideration of approximately RMB850,000. Xinjiang Wujie is principally engaged in the testing of concrete and cement and was acquired so as to provide testing services for the Group's cement operations. This acquisition has been accounted for using acquisition method.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(iv) Xinjiang Wujie Building Materials Testing Company Limited ("Xinjiang Wujie") *(Continued)*

Consideration transferred

	RMB'000
Cash	850

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

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

	RMB'000
Plant and equipment	177
Inventories	10
Bank balances and cash	9
Trade and other payables	(18)
Deferred income tax liabilities	(27)
	151

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	850
Less: net assets acquired	(151)
Goodwill arising on acquisition	699

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

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2011 *(Continued)*

(iv) Xinjiang Wujie Building Materials Testing Company Limited ("Xinjiang Wujie") *(Continued)*

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

Net cash outflow on acquisition of Xinjiang Wujie

	RMB'000
Cash consideration paid	(850)
Cash and cash equivalents acquired	9
	(841)

The acquisition of Xingjang Wujie had no significant contribution to the Group's turnover and profit for the year. Had the acquisition been completed on 1 January 2011, total turnover of the Group for the year would have been RMB50,792,998,000, and profit for the year would have been RMB3,962,371,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Xinjiang Wujie been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(Continued)

(b) Business combinations for the year ended 31 December 2010

(i) Qilianshan Holdings

On 27 December 2009, the Company entered into a capital injection and acquisition agreement with Gansu Provincial SAC and Qilianshan Holdings, whereby the Company had agreed to inject additional capital into Qilianshan Holdings amounted to RMB100,000,000, representing 15.33% of the enlarged registered share capital of Qilianshan Holdings. In addition, the Company also agreed to acquire 35.67% equity interests from Gansu Provincial SAC for a consideration of approximately RMB232,770,000. Details of the capital injection and acquisition were set out in the Company's announcement dated 27 December 2009. Upon completion of the capital injection and acquisition on 23 April 2010, the Company holds 51% equity interests in Qilianshan Holdings.

As disclosed in Note 28 (c), Qilianshan Co. was classified as an associate up to 23 April 2010. On 23 April 2010, the Company acquired 51% equity interests in Qilianshan Holdings and Qilianshan Co. became a non-wholly-owned subsidiary of the Company thereafter.

This acquisition of Qilianshan Holdings was accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB418,130,000.

Consideration transferred

	RMB'000
Consideration given for controlling interest satisfied by:	
Capital injection into Qilianshan Holdings by cash	100,000
Acquisition of equity interests by cash	232,770
	332,770

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

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(i) Qilianshan Holdings *(Continued)*

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

	RMB'000
Property, plant and equipment	3,219,065
Prepaid lease payments	467,062
Investment properties	7,336
Intangible assets	55,909
Mining rights	114,788
Available-for-sale financial assets	51,735
Other non-current assets	34,853
Deferred income tax assets	47,069
Inventories	322,096
Trade and other receivables	800,849
Other current assets	1,647
Restricted bank balances	2,000
Bank balances and cash	1,144,284
Trade and other payables	(910,288)
Income tax liabilities	(44,300)
Short-term financing bills	(400,000)
Borrowings	(1,894,430)
Early retirement and supplemental benefit obligations	(162,070)
Deferred income tax liabilities	(118,161)
	2,739,444
Less: Non-controlling interest of subsidiaries of Qilianshan Holdings*	(2,408,821)
	330,623

The trade and other receivables acquired (which principally comprised trade receivables) with a fair value of RMB800,849,000 had gross contractual amounts of RMB802,477,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is RMB1,628,000.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(i) Qilianshan Holdings *(Continued)*

The non-controlling interest in Qilianshan Holdings recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Qilianshan Holdings and amounted to RMB2,270,731,000.

Goodwill of approximately RMB53,915,000 was included in the intangible assets of Qilianshan Holdings at the date of acquisition.

* Included the 11.88% equity interest interest in Qilianshan Co. attributable to the Group held by other Group entities of approximately RMB300,095,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	332,770
Plus: non-controlling interests (49% in Qilianshan Holdings)	162,005
Less: net assets value of Qilianshan Holdings at acquisition date	(300,095)
Plus: fair value of previously held interest	554,073
Less: net assets acquired	(330,623)
Goodwill arising on acquisition	418,130

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

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

Net cash inflow on acquisition of Qilianshan Holdings

	RMB'000
Cash consideration paid	(332,770)
Cash and cash equivalents acquired	1,144,284
	811,514
Deposit paid for acquisition in previous years	332,770
	1,144,284

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(i) Qilianshan Holdings *(Continued)*

Included in the profit for the year was RMB371,811,000 attributable to the additional business generated by Qilianshan Holdings. Turnover for the year included RMB2,195,514,000 generated from Qilianshan Holdings.

Had the acquisition been completed on 1 January 2010, the turnover of the Group for the year would have been RMB45,055,472,000, and profit for the period would have been RMB3,522,415,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Qilianshan Holdings been acquired at the beginning of 2010, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(ii) Anhui Yingpu

On 11 February 2010, the Group acquired 100% equity interests in Anhui Yingpu from independent third parties for a consideration of approximately RMB740,117,000. This acquisition has been accounted for using acquisition method. The amount of gain on a bargain purchase arising as a result of the acquisition was RMB70,610,000.

Consideration transferred

	RMB'000
Cash	704,217
Other payable	35,900
Total	740,117

Acquisition-related costs amounting to RMB8,063,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" in the consolidated income statement.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(ii) Anhui Yingpu *(Continued)*

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

	RMB'000
Property, plant and equipment	1,028,592
Prepaid lease payments	115,666
Intangible assets	66
Mining rights	159,089
Deferred income tax assets	33,044
Inventories	39,870
Trade and other receivables	95,952
Bank balances and cash	1,825
Trade and other payables	(524,959)
Income tax liabilities	(185)
Borrowings	(100,000)
Deferred income tax liabilities	(38,233)
Net assets acquired	810,727

The fair value of trade and other receivables at the date of acquisition amounted to RMB95,952,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB95,952,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at acquisition date.

Gain on a bargain purchase arising on acquisition:

	RMB'000
Consideration transferred	740,117
Less: net assets acquired	(810,727)
Gain on a bargain purchase arising on acquisition	(70,610)

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

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(ii) Anhui Yingpu *(Continued)*

Net cash outflow on acquisition of Anhui Yingpu

	RMB'000
Cash consideration paid	(704,217)
Cash and cash equivalents acquired	1,825
	(702,392)
Deposit paid for acquisition in previous years	300,000
	(402,392)

Included in the profit for the year is RMB70,483,000 attributable to the additional business generated by Anhui Yingpu. Turnover for the year includes RMB635,244,000 generated from Anhui Yingpu.

Had the acquisition been completed on 1 January 2010, total turnover of the Group for the year would have been RMB44,544,258,000, and profit for the period would have been RMB3,410,064,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Anhui Yingpu been acquired at the beginning of 2010, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(iii) Beijing Tiandi Orient Superhard Materials Co., Ltd. ("Beijing Tiandi")

On 1 October 2010, the Group acquired an additional 36% of the equity interests of the former associate, Beijing Tiandi, for a consideration of approximately RMB3,556,000. After the acquisition, the Group's interest held in Beijing Tiandi increased from 21% to 57%. The acquisition has been accounted for using acquisition method. The amount of gain on a bargain purchase arising as a result of the acquisition was RMB172,000.

Consideration transferred

	RMB'000
Consideration given for controlling interest satisfied by cash	3,556

Acquisition-related cost were insignificant and have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated income statement.

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

	RMB'000
Property, plant and equipment	3,026
Intangible assets	715
Inventories	6,656
Trade and other receivables	3,470
Bank balances and cash	6,100
Trade and other payables	(9,613)
	10,354

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,470,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB3,470,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at acquisition date.

The non-controlling interest in Beijing Tiandi recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Beijing Tiandi and amounted to RMB4,452,000.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(iii) Beijing Tiandi Orient Superhard Materials Co., Ltd. ("Beijing Tiandi") *(Continued)*

Gain on a bargain purchase arising on acquisition:

	RMB'000
Consideration transferred	3,556
Plus: non-controlling interests (43% in Beijing Tiandi)	4,452
Plus: fair value of previously held interest	2,174
Less: net assets acquired	(10,354)
Gain on a bargain purchase arising on acquisition	(172)

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

Net cash inflow on acquisition of Beijing Tiandi

	RMB'000
Cash consideration paid	(3,556)
Cash and cash equivalents acquired	6,100
	2,544

Included in the profit for the year is RMB347,000 attributable to the additional business generated by Beijing Tiandi. Turnover for the year includes RMB4,893,000 generated from Beijing Tiandi.

Had the acquisition been completed on 1 January 2010, the turnover of the Group for the year would have been RMB44,506,527,000, and profit for the period would have been RMB3,409,838,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2010 *(Continued)*

(iii) Beijing Tiandi Orient Superhard Materials Co., Ltd. ("Beijing Tiandi") *(Continued)*

In determining the 'pro-forma' revenue and profit of the Group had Beijing Tiandi been acquired at the beginning of 2010, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the following transactions.

(a) On 12 January 2011, Sinoma Shangrao Machinery Co., Ltd. ("Sinoma Shangrao"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Sinoma Slipform Leasing (Shangrao) Co., Ltd. ("Shangrao Slipform") at a consideration of approximately RMB9,867,000. The acquisition has been completed on 17 January 2011.

(b) On 12 January 2011, Sinoma Shangrao entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Sinoma Equipment Maintenance (Shangrao) Co., Ltd. ("Shangro Maintenance") at a consideration of approximately RMB30,852,000. The acquisition has been completed on 17 January 2011.

(c) On 28 January 2011, Sinoma Advanced Materials Co. Ltd., a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Shandong Research & Design Institute of Industrial Ceramics Co., Ltd. ("Shandong Industrial Ceramics") at a consideration of approximately RMB8,152,000. The acquisition has been completed on 15 February 2011.

(d) On 22 February 2011, Sinoma Cement, a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Suzhou Concrete Cement Products Research & Design Institute Co., Ltd. ("Suzhou Concrete Cement Institute") at a consideration of approximately RMB95,176,000. The acquisition has been completed on 17 March 2011.

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

The parent company of Shangrao Slipform, Shangrao Maintenance, Shandong Industrial Ceramics and Suzhou Concrete Cement Institute (collectively named as the "Acquired Subsidiaries") prior to the acquisition by the Group is Sinoma Group and the aforesaid transactions are regarded as business combinations under common control.

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

Statements of adjustments for business combinations under common control on the Group's financial position as at 31 December 2011 and 2010 and 1 January 2010 and the results for the year ended 31 December 2011 and 2010 are summarised as follows:

	The Group (excluding the Acquired Subsidiaries) *RMB'000*	**Acquired Subsidiaries** *RMB'000*	**Adjustment** *RMB'000*	**The Group (including the Acquired Subsidiaries)** *RMB'000*
For the year ended 31 December 2011				
Turnover	50,265,460	437,538	–	50,702,998
Cost of sales	(39,593,785)	(312,017)	–	(39,905,802)
Gross profit	10,671,675	125,521	–	10,797,196
Interest income	161,341	372	–	161,713
Other gains	872,166	10,378	–	882,544
Selling and marketing expenses	(1,403,518)	(23,578)	–	(1,427,096)
Administrative expenses	(4,005,217)	(78,856)	–	(4,084,073)
Exchange loss	(55,750)	–	–	(55,750)
Other expenses	(83,632)	(450)	–	(84,082)
Finance costs	(1,433,164)	(4,259)	–	(1,437,423)
Share of results of associates	129,737	–	–	129,737
Profit before tax	4,853,638	29,128	–	4,882,766
Income tax expense	(911,129)	(9,143)	–	(920,272)
Profit for the year	3,942,509	19,985	–	3,962,494
Profit for the year attributable to:				
Owners of the Company	1,448,727	11,840	–	1,460,567
Non-controlling interests	2,493,782	8,145	–	2,501,927
	3,942,509	19,985	–	3,962,494

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note i)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011				
Non-current assets				
Property, plant and equipment	34,066,240	155,501	–	34,221,741
Prepaid lease payments	3,044,275	26,656	–	3,070,931
Investment properties	111,277	9,498	–	120,775
Intangible assets	527,829	3,980	–	531,809
Mining rights	477,166	–	–	477,166
Investments in the Acquired Subsidiaries	266,561	–	(266,561)	–
Interests in associates	1,266,810	–	–	1,266,810
Available-for-sale financial assets	2,343,756	–	–	2,343,756
Deposits paid for acquisition of subsidiaries	101,400	–	–	101,400
Trade and other receivables	75,846	–	–	75,846
Other non-current assets	237,789	–	–	237,789
Deferred income tax assets	584,157	10,194	–	594,351
	43,103,106	205,829	(266,561)	43,042,374
Current assets				
Inventories	8,137,224	20,098	–	8,157,322
Trade and other receivables	15,420,219	267,767	–	15,687,986
Amounts due from customers for contract work	341,073	–	–	341,073
Prepaid lease payments	98,648	–	–	98,648
Derivative financial instruments	3,165	–	–	3,165
Other current assets	33,874	1,306	–	35,180
Restricted bank balances	1,919,043	–	–	1,919,043
Bank balances and cash	10,059,648	97,873	–	10,157,521
	36,012,894	387,044	–	36,399,938
Assets classified as held for sale	117,426	–	–	117,426
	36,130,320	387,044	–	36,517,364

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries) *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustment *(Note i)* *RMB'000*	The Group (including the Acquired Subsidiaries) *RMB'000*
As at 31 December 2011				
Current liabilities				
Trade and other payables	22,524,881	205,742	–	22,730,623
Dividend payable	2,498	–	–	2,498
Amount due to customers for contract work	131,295	–	–	131,295
Derivative financial instruments	138	–	–	138
Income tax liabilities	578,350	27,658	–	606,008
Short-term financing bills	800,000	–	–	800,000
Borrowings	13,570,604	39,800	–	13,610,404
Early retirement and supplemental benefit obligations	44,525	–	–	44,525
Provisions	41,398	–	–	41,398
	37,693,689	273,200	–	37,966,889
Liabilities classified as held for sale	12,038	–	–	12,038
	37,705,727	273,200	–	37,978,927
Net current (liabilities) assets	(1,575,407)	113,844	–	(1,461,563)
Total assets less current liabilities	41,527,699	319,673	(266,561)	41,580,811
Non-current liabilities				
Trade and other payables	4,120	–	–	4,120
Derivative financial instruments	775	–	–	775
Corporate bonds	2,487,829	–	–	2,487,829
Medium-term notes	4,352,670	–	–	4,352,670
Borrowings	9,639,303	1,700	–	9,641,003
Provisions	44,874	–	–	44,874
Deferred income	428,567	17,915	–	446,482
Early retirement and supplemental benefit obligations	301,494	–	–	301,494
Deferred income tax liabilities	671,641	–	–	671,641
	17,931,273	19,615	–	17,950,888
NET ASSETS	23,596,426	300,058	(266,561)	23,629,923

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note i)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011				
Capital and reserves				
Share paid-in capital	3,571,464	224,208	(224,208)	3,571,464
Reserves	7,281,950	13,808	(42,353)	7,253,405
Equity attributable to owners of the Company	10,853,414	238,016	(266,561)	10,824,869
Non-controlling interests	12,743,012	62,042	–	12,805,054
TOTAL EQUITY	23,596,426	300,058	(266,561)	23,629,923

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2010				
Turnover	44,246,476	250,682	–	44,497,158
Cost of sales	(35,395,260)	(210,121)	–	(35,605,381)
Gross profit	8,851,216	40,561	–	8,891,777
Interest income	154,061	496	–	154,557
Other gains	922,208	13,392	–	935,600
Selling and marketing expenses	(1,132,858)	(4,373)	–	(1,137,231)
Administrative expenses	(3,589,585)	(27,887)	–	(3,617,472)
Exchange loss	(104,129)	–	–	(104,129)
Other expenses	(78,200)	(83)	–	(78,283)
Finance costs	(921,288)	(2,456)	–	(923,744)
Share of results of associates	70,124	–	–	70,124
Profit before tax	4,171,549	19,650	–	4,191,199
Income tax expense	(777,847)	(3,630)	–	(781,477)
Profit for the year	3,393,702	16,020	–	3,409,722
Profit for the year attributable to:				
Owners of the Company	1,090,482	9,497	–	1,099,979
Non-controlling interests	2,303,220	6,523	–	2,309,743
	3,393,702	16,020	–	3,409,722

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010				
Non-current assets				
Property, plant and equipment	27,950,602	70,314	–	28,020,916
Prepaid lease payments	2,893,964	18,011	–	2,911,975
Investment properties	128,088	6,348	–	134,436
Intangible assets	619,620	–	–	619,620
Mining rights	440,015	–	–	440,015
Interests in associates	1,136,414	–	–	1,136,414
Available-for-sale financial assets	2,576,123	–	–	2,576,123
Trade and other receivables	72,170	–	–	72,170
Other non-current assets	193,760	–	–	193,760
Deferred income tax assets	446,197	1,379	–	447,576
	36,456,953	96,052	–	36,553,005
Current assets				
Inventories	5,357,215	4,045	–	5,361,260
Trade and other receivables	10,291,213	147,401	–	10,438,614
Amounts due from customers for contract work	183,628	–	–	183,628
Prepaid lease payments	89,147	–	–	89,147
Derivative financial instruments	34,464	–	–	34,464
Other current assets	29,718	428	–	30,146
Restricted bank balances	1,257,740	–	–	1,257,740
Bank balances and cash	13,213,985	42,608	–	13,256,593
	30,457,110	194,482	–	30,651,592

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010				
Current liabilities				
Trade and other payables	20,693,310	114,707	–	20,808,017
Amount due to customers for contract work	440,889	–	–	440,889
Derivative financial instruments	–	–	–	–
Income tax liabilities	539,987	14,939	–	554,926
Short-term financing bills	400,000	–	–	400,000
Borrowings	8,148,389	29,800	–	8,178,189
Early retirement and supplemental benefit obligations	34,532	–	–	34,532
Provisions	35,104	–	–	35,104
	30,292,211	159,446	–	30,451,657
Net current (liabilities) assets	164,899	35,036	–	199,935
Total assets less current liabilities	36,621,852	131,088	–	36,752,940
Non-current liabilities				
Trade and other payables	1,197	–	–	1,197
Derivative financial instruments	3,415	–	–	3,415
Corporate bonds	2,485,545	–	–	2,485,545
Medium-term notes	1,700,000	–	–	1,700,000
Borrowings	10,542,043	1,700	–	10,543,743
Provisions	31,874	–	–	31,874
Deferred income	262,597	20,677	–	283,274
Early retirement and supplemental benefit obligations	317,908	–	–	317,908
Deferred income tax liabilities	733,308	–	–	733,308
	16,077,887	22,377	–	16,100,264
NET ASSETS	20,543,965	108,711	–	20,652,676

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010				
Capital and reserves				
Share paid-in capital	3,571,464	101,694	(101,694)	3,571,464
Reserves	6,113,722	1,159	101,694	6,216,574
Equity attributable to owners of the Company	9,685,186	102,853	–	9,788,038
Non-controlling interests	10,858,779	5,858	–	10,864,638
TOTAL EQUITY	20,543,965	108,711	–	20,652,676

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2010				
Non-current assets				
Property, plant and equipment	18,538,699	60,054	–	18,598,753
Prepaid lease payments	2,010,748	1,924	–	2,012,672
Investment properties	126,758	382	–	127,140
Intangible assets	151,717	–	–	151,717
Mining rights	146,476	–	–	146,476
Investment in subsidiaries	–	–		
Interests in associates	765,119	–	–	765,119
Available-for-sale financial assets	2,167,356	–	–	2,167,356
Deposits paid for acquisition of subsidiaries	632,770	–	–	632,770
Trade and other receivables	68,424	–	–	68,424
Other non-current assets	132,852	–	–	132,852
Deferred income tax assets	261,911	1,107	–	263,018
	25,002,830	63,467	–	25,066,297
Current assets				
Inventories	4,539,818	4,368	–	4,544,186
Trade and other receivables	8,285,598	129,301	–	8,414,899
Amounts due from customers for contract work	168,261	–	–	168,261
Prepaid lease payments	67,447	–	–	67,447
Derivative financial instruments	13,550	–	–	13,550
Other current assets	42,927	150	–	43,077
Restricted bank balances	1,561,888	–	–	1,561,888
Bank balances and cash	10,077,924	39,804	–	10,117,728
	24,757,413	173,623	–	24,931,036

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2010				
Current liabilities				
Trade and other payables	19,395,443	106,636	–	19,502,079
Amount due to customers for contract work	405,084	–	–	405,084
Derivative financial instruments	648	–	–	648
Income tax liabilities	192,463	12,510	–	204,973
Borrowings	5,439,633	30,000	–	5,469,633
Early retirement and supplemental benefit obligations	20,479	–	–	20,479
	25,453,750	149,146	–	25,654,891
Net current (liabilities) assets	(696,337)	24,477	–	(723,855)
Total assets less current liabilities	24,306,493	87,944	–	24,342,442
Non-current liabilities				
Trade and other payables	1,438	–	–	1,438
Derivative financial instruments	4,586	–	–	4,586
Corporate bonds	2,483,381	–	–	2,483,381
Borrowings	6,863,743	1,700	–	6,865,443
Deferred income	312,081	22,218	–	334,299
Early retirement and supplemental benefit obligations	142,693	–	–	142,693
Deferred income tax liabilities	533,514	–	–	533,514
	10,341,436	23,918	–	10,365,354
NET ASSETS	13,965,057	64,026	–	13,977,088

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2010				
Capital and reserves				
Share capital	3,571,464	21,034	(21,034)	3,571,464
Reserves	4,692,600	41,069	21,034	4,754,703
Equity attributable to owners of the Company	8,264,064	62,103	–	8,326,167
Non-controlling interests	5,700,993	1,923	–	5,702,916
TOTAL EQUITY	13,965,057	64,026	–	14,029,083

Notes:

(i) The adjustment comprise of elimination of the paid-in capital of the Acquired Subsidiaries against the investment costs.

The consideration for the acquisition of the Acquired Subsidiaries amounted to RMB144,047,000 in aggregate and the aggregate paid-in capital of the Acquired Subsidiaries at the date of combination were RMB101,694,000.

During the year ended 31 December 2011 and subsequent to the combinations, additional capital injection of RMB122,514,000 were made by the Group to the Acquired Subsidiaries.

(ii) The adjustment represents elimination of the paid-in capital of the Acquired Subsidiaries as at 31 December 2010 and 1 January 2010 with a corresponding entry to capital reserve. The difference has been recorded in capital reserve.

The effects of adopting merger accounting for common control combination on the Group's basic and diluted earnings per share for the year ended 31 December 2011 and 2010:

	2011	2010
	RMB	*RMB* (Restated)
Reported figures before adjustments	**0.406**	0.305
Adjustments arising on common control combination	**0.003**	0.003
Restated figures after adjustments	**0.409**	0.308

52. DISPOSAL OF A SUBSIDIARY

On 31 July 2011, the Group disposed of its 64.41% equity interests, being the entire equity interest held by the Group, in Turpan Tourism Development Co. Ltd. ("Turpan Tourism") for a cash consideration of RMB27,250,000.

Consideration received

	RMB'000
Total consideration received, settled by cash	27,250

Analysis of assets and liabilities over which control was lost:

	31/7/2011 *RMB'000*
Property, plant and equipment	20,960
Prepaid lease payment	3,632
Available-for-sale financial assets	600
Deferred income tax assets	200
Inventories	268
Trade and other receivables	6,447
Bank balances and cash	1,130
Trade and other payables	(680)
Income tax liabilities	(1,617)
Net assets disposed of	30,940

52. DISPOSAL OF A SUBSIDIARY *(Continued)*

Gain on disposal of a subsidiary:

	RMB'000
Consideration received	27,250
Net assets disposed of	(30,940)
Non-controlling interests	11,012
Gain on disposal	7,322

Net cash inflow on disposal of Turpan Tourism

	RMB'000
Cash consideration received	27,250
Less: cash and cash equivalents disposed of	(1,130)
	26,120

The subsidiary disposed of during the year ended 31 December 2011 contributed approximately RMB2,212,000 to the Group's turnover and no significant impact on the results of the Group. The subsidiary also contributed approximately RMB830,000 to the Group's net operating cash flow and paid approximately RMB703,000 in respect of investing activities. The subsidiary had no contribution to the Group's cash flows from financing activities.

53. CONTINGENT LIABILITIES

	2011 ***RMB'000***	2010 *RMB'000*
Outstanding guarantees *(Note a)*	**60,000**	395,500

53. CONTINGENT LIABILITIES *(Continued)*

Notes:

(a) The Group has acted as the guarantors for various external borrowings made by other state-owned enterprises and certain independent third parties. Outstanding guarantees amounted to RMB60,000,000 (2010: RMB395,500,000) have been utilised by other state-owned enterprises and independent third parties at the end of the reporting period.

(b) At the end of the reporting period, the Group has provided the following guarantees to other state-owned enterprises/independent third parties which will be expiring:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**30,000**	365,500
In the second to fifth year inclusive	**30,000**	30,000
	60,000	395,500

54. COMMITMENTS

(a) Capital commitments

	2011	2010
	RMB'000	*RMB'000*
Capital expenditure authorised but not contracted for in respect of the acquisition of:		
– Property, plant and equipment	**–**	3,262
– Investment in a subsidiary	**6,611**	–
	6,611	3,262
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
– Property, plant and equipment	**793,442**	1,100,167
– Prepaid lease payments	**2,160**	10,025
– Acquisition in a subsidiary	**236,600**	–
	1,032,202	1,110,192
	1,038,813	1,113,454

54. COMMITMENTS *(Continued)*

(b) Operating lease commitments

The Group as lessee

The Group leases various offices, warehouses and residential properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**1,345**	2,100
In the second to fifth year inclusive	**2,731**	8,142
After five years	**49,400**	51,500
	53,476	61,742

Operating lease payments represents rentals payables by the Group for various offices, warehouses and residential properties. Leases are negotiated for a period from 2 to 20 years and rentals are fixed during the relevant lease periods.

The Group as lessor

The Group rents out various investment properties and equipment under non-cancellable operating lease agreements. The rented out properties are expected to generate rental yield of 23% (2010: 26%) on an ongoing basis. All of the properties held have committed tenants for the next 5 years.

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments as follows:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**6,974**	4,642
In the second to fifth year inclusive	**9,757**	5,622
After five years	**6,772**	6,750
	23,503	17,014

55. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) During the year ended 31 December 2011, the Group has acquired property, plant and equipment amounting to approximately RMB1,708,377,000 which has been settled by bills receivables.

(b) During the year ended 31 December 2010, the Group received national funds of RMB19,440,000 from the PRC Government and was carried as other payable prior to the completion of the relevant verification procedures. The verification procedures were completed during the year ended 31 December 2011 and such amount was then transferred to "other reserves".

(c) During the year ended 31 December 2010, the Group has acquired 51% equity interests in Qilianshan Holdings for a consideration of approximately RMB332,770,000 which had been paid in the year ended 31 December 2009 as a deposit.

(d) During the year ended 31 December 2010, the Group has acquired 100% equity interests in Anhui Yingpu for a consideration of approximately RMB740,117,000 of which RMB300,000,000 had been paid in the previous year as a deposit and RMB35,900,000 has been included in other payables as at 31 December 2010.

(e) During the year ended 31 December 2010, the Group has acquired property, plant and equipment amounting to approximately RMB86,009,000 which has been included in other payables as at 31 December 2010.

(f) During the year ended 31 December 2010, an investment property had been transferred to the Group from a debtor for settling the other receivable of approximately RMB10,605,000 owned by the Group.

56. RELATED PARTY DISCLOSURES

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

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

56. RELATED PARTY DISCLOSURES *(Continued)*

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the two years ended 31 December 2011 and 2010 and balances as at 31 December 2011, 31 December 2010 and 1 January 2010 with related party transactions.

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

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

(a) The Group's transactions with other state-owned enterprises only accounted for less than 5% of the Group's revenue and cost of sales for the two years ended 31 December 2011 and 2010.

(b) The balances with other state-owned enterprises and Sinoma Group and its fellow subsidiaries only accounted for less than 5% of the Group's trade and other receivables and trade and other payables as at 31 December 2011 and 2010. However, over 95% of the Group's borrowings were obtained from and over 95% of the Group's cash and cash equivalents are maintained with other state-owned enterprises.

In addition, as at 31 December 2011 and 2010, certain borrowings of the Group were secured by the corporate guarantees executed by other state-owned enterprises and about 50% of the outstanding guarantees provided by the Group were in favor of other state-owned enterprises.

56. RELATED PARTY DISCLOSURES *(Continued)*

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

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

	2011	2010
	RMB'000	*RMB'000*
Transactions with jointly controlled entities (after elimination of the Group's proportionate interest in those jointly controlled entities)		
Revenue		
– Sales of goods or provision of services	**1,196**	2,904
– Interest income	**2,004**	1,631
Expenses		
– Purchases of goods or services	**24,001**	17,843
Transactions with associates		
Revenue		
– Sales of goods or provision of services	**1,420**	2,358
Expenses		
– Purchases of goods or services	**65,225**	65,275
Transactions with non-controlling interests		
Revenue		
– Sales of goods or provision of services	**3,406**	8,942
Expenses		
– Purchases of goods or services	**80,245**	107,457
– Rental expenses	**636**	1,540
Acquisition of additional equity interests in subsidiaries	**75,451**	131,009
Transactions with joint venture partners of jointly controlled entities		
Revenue		
– Sales of goods or provision of services	**69,692**	61,153
Expenses		
– Purchases of goods or services	**6,757**	5,184

56. RELATED PARTY DISCLOSURES *(Continued)*

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

Balances with related parties other than other state-owned enterprises:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade and other receivables		
Trade receivables due from		
– Jointly controlled entities	**19,293**	25,812
– Non-controlling interests	**14,048**	15,879
– Joint venture partners of jointly controlled entities	**6,970**	6,447
– Less: Impairment loss recognised	**(17,860)**	(14,503)
	22,451	33,635
Other receivables due from		
– Jointly controlled entities	**30,025**	40,724
– Non-controlling interests	**31,008**	22,301
– Less: Impairment loss recognised	**(2,460)**	(1,321)
	58,573	61,704
	81,024	95,339

56. RELATED PARTY DISCLOSURES *(Continued)*

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

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

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000*
Trade and other payables		
Trade payables due to		
– Jointly controlled entities	**14,403**	9,241
– Associates	**5,488**	15,682
– Non-controlling interests	**4,392**	5,262
– Joint venture partners of jointly controlled entities	**5,817**	4,563
	30,100	34,748
Other payables due to		
– Non-controlling interests	**73,872**	65,795
	73,872	65,795
	103,972	100,543

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

56. RELATED PARTY DISCLOSURES *(Continued)*

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2011	2010
	RMB'000	*RMB'000*
Short-term benefits	**16,371**	5,793
Post employment benefits	**413**	128
Cash-settled share-based payments	**318**	316
	17,102	6,237

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

57. CHARGE OF ASSETS

	31 December 2011	31 December 2010
	RMB'000	*RMB'000*
Property, plant and equipment	**2,529,504**	2,444,338
Prepaid lease payments	**204,815**	253,235
Investment properties	**–**	54,340

58. EVENTS AFTER THE REPORTING PERIOD

(a) On 19 January 2012, Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement"), a subsidiary of the Company listed on the Shenzhen Stock Exchange of the PRC, issued 100,000,000 new shares to the public investors at a subscription price of RMB20.64 per share under the Open Offer and raised net proceeds (after deduction of relevant issuance expenses and the portion subscribed by the Company) of approximately RMB1,729,361,000.

Details of the issuance of new shares were set out in the Tianshan Cement's announcement dated 19 January 2012.

(b) On 28 February 2012, Sinoma International Co. Ltd., a non wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest is Nanjing Cement Industry Design and Research Institute at a consideration of approximately RMB125,569,800 and which is principally engaged in property leasing and provision of management services. The acquisition has not been completed as at the date of these consolidated financial statements.

Details of the acquisition were set out in the Company's announcement dated 28 February 2012.

58. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) On 28 February 2012, Sinoma Suzhou Company Limited, a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of China National Assets Management (Suzhou) Company Limited at a consideration of approximately RMB58,121,900 and which is principally engaged in property leasing and provision of management services. The acquisition has not been completed as at the date of these consolidated financial statements.

Details of the acquisition were set out in the Company's announcement dated 28 February 2012.

(d) On 28 February 2012, Sinoma Construction Company Limited, a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest is China National Property Management Company Limited at a consideration of approximately RMB14,356,400 and which is principally engaged in property leasing and provision of management services. The acquisition has not been completed as at the date of these consolidated financial statements.

Details of the acquisition were set out in the Company's announcement dated 28 February 2012.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) Principal subsidiaries

As at 31 December 2011 and 2010, the Company has direct and indirect equity interests in the following principal subsidiaries:

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
Listed:					
Sinoma International Engineering Co. Ltd (中國中材國際工程股份有限公司) ("Sinoma International")	The PRC 28 December 2001 Joint stock company	911,081 (2010: 759,234)	42.46% *(Notes (ii) and (vi))*	–	Construction and engineering services; The PRC, Europe, Africa and other Asian countries
Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司) ("Sinoma Science & Technology")	The PRC 28 December 2001 Joint stock company	400,000 (2010: 200,000)	54.32% *(Note (vii))*	–	High-tech materials operations; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Tianshan Cement (新疆天山水泥股份有限公司)	The PRC 18 November 1998 Joint stock company	388,945	41.95% *(Note (iii))*	–	Cement operations; The PRC
Ningxia Building Materials (寧夏建材集團股份有限公司)	The PRC 4 December 1998 Joint stock company	239,160 (2010: 195,334)	47.57% *(Notes (iv) and (viii))*	–	Production and sales of cement and clinker; The PRC
Qilianshan Co. (甘肅祁連山水泥集團股份有限公司)	The PRC 3 December 1995 Joint stock company	474,902	12.81% *(Note (v))*	12.78%	Cement Operations; The PRC
Unlisted:					
CBMI Construction Co., Ltd. (中材建設有限公司)	The PRC 13 November 2002 Limited liability company	72,580	–	100%	Construction and engineering services; The PRC, Africa, Europe and South America
Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. (成都建築材料工業設計研究院有限公司)	The PRC 28 November 2002 Limited liability company	50,000	–	100%	Construction and engineering services; The PRC
Sinoma Tangshan Heavy Machinery Co., Ltd. (唐山中材重型機械有限公司)	The PRC 27 January 2003 Limited liability company	44,166	–	100%	Manufacture of cement equipment; The PRC
Sinoma (Suzhou) Construction Co., Ltd. (蘇州中材建設有限公司)	The PRC 19 December 2002 Limited liability company	50,080	–	100%	Construction and engineering services; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
		RMB'000			
Sinoma Equipment Co. Ltd. (中材裝備集團有限公司)	The PRC 13 December 2006 Limited liability company	200,000	–	100%	Construction and engineering services; The PRC, Africa and other Asian countries
China National Building Material Equipment Corp., Ltd. (中國建材裝備有限公司)	The PRC 3 June 1988 Limited liability company	22,000	–	100%	Construction and engineering services; The PRC and other Asian countries
CEMTECH (中材（天津）重型機械有限公司)	The PRC 7 April 2000 Limited liability company	55,280	–	100%	Manufacture of cement equipment; The PRC
CEMTECH Xuzhou Heavy Machinery Co., Ltd. (中天仕名（徐州）重型機械有限公司)	The PRC 16 December 2002 Limited liability company	38,000	–	91%	Manufacture of cement equipment; The PRC
CEMTECH Zibo Heavy Machinery Co., Ltd. (中天仕名（淄博）重型機械有限公司)	The PRC 8 January 2002 Limited liability company	50,000	–	100%	Manufacture of cement equipment; The PRC
Sinoma ChangShu (常熟中材裝備重型機械有限公司)	The PRC 23 October 2003 Limited liability company	20,000	–	100%	Manufacture of cement equipment; The PRC
Xi'an Engineering (中國建築材料工業建設西安工程有限公司)	The PRC 28 December 2001 Limited liability company	30,516	–	100%	Construction and engineering services; The PRC
Jiangsu Jiashi (江蘇嘉實工程建設有限公司)	The PRC 15 November 2007 Limited liability company	6,000	–	100%	Construction and engineering services; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
		RMB'000			
Sinoma Nanjing Mining Engineering Co., Ltd. (中國非金屬材料南京礦山工程有限公司)	The PRC 29 June 2007 Limited liability company	29,746	–	100%	Construction and engineering services; The PRC
Sinoma Shangrao (上饒中材機械有限公司)	The PRC 19 April 2007 Limited liability company	12,457	100%	–	Construction and engineering services; The PRC
Sinoma Tianjin Mining Engineering Co., Ltd. (天津礦山工程有限公司)	The PRC 26 June 2007 Limited liability company	28,953	–	100%	Construction and engineering services; The PRC
Sinoma Yanzhou Mining Engineering Co., Ltd. (兗州中材建設工程有限公司)	The PRC 14 August 2007 Limited liability company	27,867	–	100%	Construction and engineering services; The PRC
Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司)	The PRC 17 November 2003 Limited liability company	28,500	100%	–	Manufacture of cement equipment; The PRC
Sinoma Cement (中材水泥有限責任公司)	The PRC 20 November 2003 Limited liability company	1,761,500	100%	–	Cement operations; The PRC
Sinoma Hanjiang (中材漢江水泥股份有限公司)	The PRC 25 August 1994 Joint stock company	282,167	–	90.45%	Cement operations; The PRC
Sinoma Hengda Cement Co., Ltd. (中材亨達水泥有限公司)	The PRC 6 February 2006 Limited liability company	270,000	–	70%	Cement operations; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
Yunfu Tianshan Cement Co., Ltd. (中材天山(雲浮)水泥有限公司)	The PRC 4 April 2003 Limited liability company	180,000	–	81.94%	Cement operations; The PRC
Xinjiang Tianshan Zhuyou Concrete Co., Ltd. (新疆天山築友混凝土有限責任公司)	The PRC 20 April 2003 Limited liability company	50,000	–	100%	Cement operations; The PRC
Xinjiang Hejing Tianshan Cement Co., Ltd. (新疆和靜天山水泥有限責任公司)	The PRC 16 January 1996 Limited liability company	35,526	–	74.63%	Cement operations; The PRC
Korla Tianshan Shenzhou Concrete Co., Ltd. (庫爾勒天山神州混凝土有限責任公司)	The PRC 28 January 2003 Limited liability company	24,253	–	60%	Cement operations; The PRC
Aksu Tianshan Duolang Cement Co., Ltd. (阿克蘇天山多浪水泥有限責任公司)	The PRC 25 April 2001 Limited liability company	443,325	–	100%	Cement operations; The PRC
Xinjiang Tunhe Cement Co., Ltd. (新疆屯河水泥有限責任公司)	The PRC 16 October 2000 Limited liability company	350,000	–	51%	Cement operations; The PRC
Suzhou Tianshan Cement Co., Ltd. (蘇州天山水泥有限公司)	The PRC 6 November 2003 Limited liability company	30,000	–	100%	Cement operations; The PRC
Wuxi Tianshan Cement Co., Ltd. (無錫天山水泥有限公司)	The PRC 28 February 2003 Limited liability company	80,000	–	100%	Cement operations; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
Jiangsu Tianshan Cement (Group) Co., Ltd. (江蘇天山水泥集團有限公司)	The PRC 11 November 2002 Limited liability company	311,353	–	66.01%	Cement operations; The PRC
Suzhou Tianshan Concrete Co., Ltd. (蘇州天山商品混凝土有限公司)	The PRC 26 July 2002 Limited liability company	4,000	–	75%	Cement operations; The PRC
Sinoma Advanced Materials Co. Ltd. (中材高新材料股份有限公司)	The PRC 25 December 2000 Joint stock company	107,591	99.46%	–	High-tech materials operations; The PRC
Jiangxi Sinoma New Solar Materials Co., Ltd. (江西中材太陽能新材料有限公司)	The PRC 30 April 2007 Limited liability company	100,000	–	64%	Manufacture of new materials; The PRC
Beijing Sinoma Synthetic Crystals Co., Ltd. (北京中材人工晶體有限公司)	The PRC 22 April 2005 Limited liability company	40,000	–	100%	High-tech materials operations; The PRC
Beijing Composite Material Co., Ltd. (北京玻鋼院複合材料有限公司)	The PRC 2 January 2003 Limited liability company	60,000	20%	80%	High-tech materials operations; The PRC
Sinoma Science & Technology (Suzhou) Co., Ltd. (中材科技(蘇州)有限公司)	The PRC 26 October 2004 Limited liability company	180,000	–	100%	High-tech materials operations; The PRC
Taishan Fiberglass Inc. (泰山玻璃纖維有限公司)	The PRC 17 September 1999 Limited liability company	1,934,712	100%	–	Glass fiber operations; The PRC
Taishan Fiberglass Zoucheng Co., Ltd. (泰山玻璃纖維鄒城有限公司)	The PRC 26 July 2001 Limited liability company	631,020	–	87.41%	Glass fiber operations; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
		RMB'000			
Taishan Composite (山東泰山複合材料有限公司)	The PRC 16 April 2003 Limited liability company	238,684	–	100%	Glass fiber operations; The PRC
CTG International Inc. (CTG北美貿易有限公司)	United States ("U.S.") 16 April 2004 Limited liability company	13,457	–	100%	Trading of glass fiber; U.S.
Tai'an Huatai Nonmetal Micronization Co., Ltd. (泰安華泰非金屬微粉有限公司)	The PRC 4 January 2002 Limited liability company	18,980	–	100%	Production and sale of non-metallic crystal; The PRC
Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司)	The PRC 17 January 2004 Limited liability company	203,957	50.01%	–	Glass fiber operations; The PRC
Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司)	The PRC 22 December 1999 Limited liability company	32,000	51%	–	Manufacture of Chinese ISO standard sands; The PRC
Yixing Tianshan (宜興天山水泥有限責任公司)	The PRC 29 July 2008 Limited liability company	150,000	–	100%	Cement operations; The PRC
Midong Tianshan Cement Co. Ltd. (新疆米東天山水泥有限責任公司)	The PRC 24 April 2007 Limited liability company	201,365	–	83.93%	Cement operations; The PRC
Sinoma Luoding Cement Co., Ltd. (中材羅定水泥有限公司)	The PRC 4 December 2007 Limited liability company	290,000	–	100%	Production and sales of cement and clinker; The PRC
Sinoma Zhuzhou Cement Co. Ltd. (中材株洲水泥有限公司)	The PRC 11 October 2005 Limited liability company	230,000	–	100%	Cement operation; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
Changde Sinoma Cement Co. Ltd. (常德中材牛力水泥有限公司)	The PRC 10 October 2007 Limited liability company	157,420	–	100%	Cement operation; The PRC
Xiang Tan Sinoma Cement Co. Ltd. (湘潭中材牛力水泥有限公司)	The PRC 28 September 2007 Limited liability company	289,710	–	100%	Production and sales of cement and clinker; The PRC
Sinoma Fan Blades (中材科技風電葉片股份有限公司)	The PRC 14 June 2007 Joint stock company	403,880	–	93.31%	Sales of wind power blade; The PRC
Ning Xia Qingtongxia Cement Co. Ltd. (寧夏青銅峽水泥股份有限公司)	The PRC 11 August 2001 Joint stock company	334,750	–	87.19%	Cement operation; The PRC
Ning Xia Zhongning Saima Cement Co. Ltd. (寧夏中寧賽馬水泥有限公司)	The PRC 24 June 2004 Limited liability company	180,910	–	100%	Cement operation; The PRC

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

(i) As at 31 December 2011 and 2010, the Group's shares in companies listed in the PRC comprise:

(1) 42.46% (2010: 42.46%) equity interests in Sinoma International, a company listed on the Shanghai Stock Exchange of the PRC. The Company's equity interests in Sinoma International represents 386,886,016 A shares which have been tradable in the stock market since 6 July 2009. The market value of the 386,886,016 tradable shares as at 31 December 2011 is approximately RMB6,097,324,000 (2010: RMB13,125,108,000 for 322,450,013 tradable shares).

(2) 54.32% (2010: 54.32%) equity interests in Sinoma Science & Technology, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Sinoma Science & Technology represents 217,298,286 A shares which will be tradable after 29 December 2013, including 71,506,800 A shares which have been tradable since 3 November 2009. Pursuant to the agreement for increasing registered capital mentioned in note (ix), these A shares are only tradable with the same date of the newly acquired A shares. The market value of the 217,298,286 tradable shares as at 31 December 2011 is approximately RMB2,496,757,000 (2010: RMB4,498,075,000 for 108,649,143 tradable shares).

(3) 41.95% (2010: 41.95%) equity interests in Tianshan Cement, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Tianshan Cement represents 163,171,495 A shares which will be tradable since 20 May 2013, including 15,601,680 shares have been tradable since 26 May 2007 and 97,594,803 shares have been tradable since 26 May 2009. The market value of the 163,171,495 tradable shares as at 31 December 2011 is approximately RMB3,459,236,000 (2010: RMB5,151,324,000 for 163,171,495 tradable shares).

(4) 47.57% (2010: 35.74%) equity interests in Ningxia Building Materials, a company listed on the Shanghai Stock Exchange of the PRC. The Group's equity interests in Ningxia Building Materials represents 113,775,543 (2010: 69,750,000) A shares which are only tradable in the stock market by stages, of which 7,210,800 shares have been tradable since 5 August 2008, 14,421,600 shares have been tradable since 5 August 2009 and 48,117,600 shares have been tradable since 5 August 2010. The market value of the 113,775,543 tradable shares as at 31 December 2011 is approximately RMB2,236,827,000 (2010: RMB2,508,210,000 for 69,750,000 tradable shares).

(5) 19.33% effective equity interests in Qilianshan Co., a company listed on the Shanghai Stock Exchange of the PRC. The Group's equity interests in Qilianshan Co. represents 121,524,698 A shares which including 55,000,000 shares have been tradable in the stock market since 25 June 2011 and 1,397,292 shares will be tradable after 12 May 2013. The market value of these shares as at 31 December 2011 is approximately RMB1,104,660,000 (2010: RMB2,084,148,000).

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

(ii) As the Group has de facto control over Sinoma International and therefore Sinoma International was accounted for as a subsidiary of the Group.

(iii) As the Group has obtained de facto control over Tianshan Cement and therefore Tianshan Cement was accounted for as a subsidiary of the Group.

(iv) As the Group has obtained de facto control over Ningxia Building Materials and therefore Ningxia Building Materials was accounted for as a subsidiary of the Group.

(v) As the Group has de facto control over Qilianshan Co. and therefore Qilianshan Co. was accounted for as a a subsidiary of the Group.

(vi) Resolutions for the issuance of bonus shares to existing shareholders of Sinoma International and the conversion of capital reserve to share capital was passed in the 2010 annual general meeting of Sinoma International held on 22 April 2011. The bonus issue is based on the existing 759,234,208 number of shares and offering 2 shares for every 10 existing shares of Sinoma International. Accordingly, 151,846,842 bonus shares have been issued to existing shareholders.

Upon the completion of the above transactions, the registered capital of Sinoma International and the number of shares held by the Company have been increased to 911,081,050 and 386,886,016 respectively. The transaction has no effect in the percentage of equity interests directly held by the Group.

Details of which are set out in Sinoma International's announcement dated 10 May 2011.

(vii) On 20 April 2011, resolutions about capital reserve convert to share capital have been passed in the 2010 annual general meeting of Sinoma Science & Technology Co., Ltd. Capital reserve in the amount of RMB200,000,000 have been converted to 200,000,000 new shares of Sinoma Science & Technology Co., Ltd at RMB1 at par each.

Upon the completion of the above transactions, the registered capital of Sinoma Science & Technology Co., Ltd and the number of shares held by the Company have been increased to 400,000,000 and 217,298,286 respectively. The transaction has no effect in the percentage of equity interests directly held by the Group.

Details of which are set out in Sinoma Science & Technology Co., Ltd's announcement dated 9 May 2011.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

(viii) On 9 November 2011, Ningxia Saima Industry Co., Ltd. ("Ningxia Saima") entered into an agreement to increase share capital by of 113,775,543 number of shares and merge with Ningxia Building Materials. Upon completion of the merger shares of Ningxia Saima held by Ningxia Building Materials were cancelled and the number of shares of Ningxia Saima increased from 195,133,874 to 239,159,417. The Company became the immediate holding company of Ningxia Saima after the merger and the Group's effective equity interests in Ningxia Saima increased from 35.74% to 47.57%.

Details of which are set out in the Company's announcement dated 23 December 2011.

(b) Jointly controlled entities

As at 31 December 2011 and 2010, the Company has indirect equity interests in the following principal jointly controlled entities (all are unlisted):

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Indirectly held	Principal activities and place of operation
PPG Sinoma Jinjing Fiber Glass Co., Ltd. (龐貝捷中材金晶玻纖有限公司)	Hong Kong 24 March 2006 Limited liability company	216,567	50%	Glass fiber operations; Hong Kong
PPG Sinoma Zibo Jinjing Fiber Glass Co., Ltd. (淄博中材龐貝捷金晶玻纖有限公司)	The PRC 19 April 2006 Limited liability company	212,394	50%	Glass fiber operations; The PRC
Dongguan Taiguang Fiberglass Ltd. (東莞泰廣玻璃纖維有限公司)	The PRC 10 June 2003 Limited liability company	6,710	50%	Glass fiber operations; The PRC
Shandong Taishan Fiberex Fiberglass Co., Ltd. (山東泰山發博瑞克玻璃纖維有限公司)	The PRC 31 October 2006 Limited liability company	23,620	50%	Glass fiber operations; The PRC

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(c) Associates

As at 31 December 2011 and 2010, the Company has indirect equity interests in the following principal associates:

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Indirectly held	Principal activities and place of operation
Unlisted:				
Nanjing Chunhui Science & Technology Industry & Commerce Co., Ltd. (南京春輝科技實業有限公司)	The PRC 24 January 1997 Limited liability company	8,043	20.59%	Glass fiber operations; The PRC
Hangzhou Qiangshi Engineering & Materials Co., Ltd. (杭州強士工程材料有限公司)	The PRC 30 July 2000 Limited liability company	17,750	30%	Glass fiber operations; The PRC
Hanjiang Concrete Co., Ltd. (漢中市漢江混凝土有限責任公司)	The PRC 24 March 2000 Limited liability company	15,000	26.67%	Cement operations; The PRC
Beijing Tongda Refractory Technologies Co., Ltd. (北京通達耐火技術股份有限公司)	The PRC 10 May 2006 Joint stock company	125,326	23.75%	Cement operation, real estate, import and export trade; The PRC
Jiugang (Group) Hongda Building Materials Co., Ltd. (酒鋼(集團)宏達建材有限責任公司)	The PRC 10 February 1998 Limited liability company	136,730,300	60% *(Notes (i))*	Cement operation; The PRC
Baotou Xishui Cement Co., Ltd. (包頭市西水水泥有限責任公司)	The PRC 29 December 2006 Limited liability company	40,000,000	35%	Cement operation; The PRC
Wuhai Xishui Cement Co., Ltd. (烏海市西水水泥有限責任公司)	The PRC 11 January 2007 Limited liability company	100,000,000	45%	Cement operation; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(c) Associates *(Continued)*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

(i) The Group appointed three of the seven directors in the board of directors of Jiugang (Group) Hongda Building Materials Co., Ltd. ("Jiugang Hongda"). The Group has significant influence over Jiugang Hongda as set out in Note 7 above and therefore Jiugang Hongda treated as an associate of the Group.

(d) The operations of the principal subsidiaries, jointly controlled entities and associates are principally located in the PRC, Middle East and other Asian countries.

Except for Sinoma International, Sinoma Science & Technology, Tianshan Cement, Ningxia Building Materials and Qilianshan Co. which are listed companies in the PRC, all subsidiaries, jointly controlled entities and associates have substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, jointly controlled entities and the associates referred to in these consolidated financial statements represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

Save for the medium-term notes and detailed in note 45, none of the subsidiaries, jointly controlled entities and associates had issued debt securities at the end of the reporting period.

60. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**2,059**	2,048
Intangible assets		**2,870**	14,851
Investments in subsidiaries		**11,176,079**	10,493,097
Investment in an associate		**639,012**	639,012
Available-for-sale financial assets		**2,018,038**	2,153,835
Deferred income tax assets		**7,952**	7,825
		13,846,010	13,310,668
Current assets			
Other receivables		**1,191,038**	1,380,089
Bank balances and cash		**578,766**	150,170
		1,769,804	1,530,259
Current liabilities			
Other payables		**287,085**	216,815
Dividend payables		**2,498**	–
Income tax liabilities		**1,275**	1,981
Borrowings		**1,510,000**	1,300,000
Early retirement and supplemental benefit obligations		**3,211**	3,214
		1,804,069	1,522,010
Net current (liabilities) assets		**(34,265)**	8,249
Total assets less current liabilities		**13,811,745**	13,318,917
Non-current liabilities			
Corporate bonds		**2,487,829**	2,485,545
Medium-term notes		**1,700,000**	1,700,000
Early retirement and supplemental benefit obligations		**28,595**	24,281
Deferred income tax liabilities		**402,899**	436,849
		4,619,323	4,646,675
NET ASSETS		**9,192,422**	8,672,242
Capital and reserves			
Share capital		**3,571,464**	3,571,464
Reserves	(a)	**5,620,958**	5,100,778
TOTAL EQUITY		**9,192,422**	8,672,242

60. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) The movements in the reserves of the Company during the reporting period are:

	Share premium	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note b (i))*	*RMB'000*	*RMB'000*
At 1 January 2010	3,273,160	(546,272)	45,841	1,043,239	98,700	344,195	4,258,863
Profit for the year	–	–	–	–	–	90,481	90,481
Other comprehensive income for the year	–	–	–	268,371	–	–	268,371
Total comprehensive income for the year	–	–	–	268,371	–	90,481	358,852
Dividend recognised as distribution	–	–	–	–	–	(89,287)	(89,287)
Government contributions	–	–	–	–	572,350	–	572,350
Appropriation to statutory surplus reserve *(Note b (ii))*	–	–	6,852	–	–	(6,852)	–
At 31 December 2010 and 1 January 2011	3,273,160	(546,272)	52,693	1,311,610	671,050	338,537	5,100,778
Loss for the year	–	–	–	–	–	(59,800)	(59,800)
Other comprehensive expenses for the year	–	–	–	(101,848)	–	–	(101,848)
Total comprehensive expenses for the year	–	–	–	(101,848)	–	(59,800)	(161,648)
Dividend recognised as distribution	–	–	–	–	–	(142,859)	(142,859)
Internal reorganisation *(Note b (iv))*	–	–	–	–	750,967	–	750,967
Government contributions	–	–	–	–	73,720	–	73,720
Appropriation to statutory surplus reserve *(Note b (ii))*	–	–	23,136	–	–	(23,136)	–
At 31 December 2011	3,273,160	(546,272)	75,829	1,209,762	1,495,737	112,742	5,620,958

60. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) The reserves of the Company

(i) In October 2007, Sinoma Group entered into an irrevocable guarantee agreement with the Ministry of Commerce of the PRC ("MOC"), which released a guarantee previously provided by the Company to a subsidiary of Sinoma Group on a special foreign aid fund loans lent by MOC to such subsidiary. According to the agreement, Sinoma Group will assume the responsibility as the guarantor of the loans. The provision made by the Company for such guarantee, amounting to RMB98,700,000, was reversed and accounted for as an equity contribution from Sinoma Group.

During the year ended 31 December 2011, national funds amount to RMB73,720,000 (2010: RMB572,350,000) are contributed by the PRC Government to the Company through Sinoma Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

Pursuant to the requirements of the relevant notice, the national funds are designated as capital contribution and vested solely by the PRC Government. They are non-repayable and can be converted to share capital of the entities receiving the funds upon approval by their shareholders and completion of other procedures.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to owners.

The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2011, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, amounting to RMB23,136,000 (2010: RMB6,852,000), to the statutory surplus reserve.

(iii) Profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company for the year ended 31 December 2011 has incorporated a profit of approximately RMB59,800,000 (2010: RMB90,481,000) arising from the financial statements of the Company.

(iv) Internal Reorganisation

Balance repesented the difference between the Company's investment cost in Ningxia Building Materials and the fair value of the shares in Ningxia Saima acquired pursuant to the internal reorganisation and further detailed in note 59(a)(viii).

DEFINITIONS

"Articles of Association" or "Articles"	The articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board
"BBMG"	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
"BBMG Corporation"	BBMG Corporation
"Board"	the board of Directors
"Cinda"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), one of the promoters of the Company
"Company", "our Company", "we" or "us"	China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated on 31 July 2007 under the laws of the PRC
"Company Law"	the Company Law of the People's Republic of China
"CTG"	Taishan Fiberglass Inc. (泰山玻璃纖維有限公司), a wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"Group"	the Company and its subsidiaries
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed and traded on the Hong Kong Stock Exchange
"Hengda Hong Kong"	Hengda (Hong Kong) International Investment Company (亨達(香港)國際投資有限公司), a company incorporated under the laws of Hong Kong
"Hengda Hong Kong Group"	collectively, Hengda Hong Kong and its subsidiaries and associates
"Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	the main board of the Hong Kong Stock Exchange

"Ningxia Building Materials"	Ningxia Building Materials Group Co., Limited (寧夏建材集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600449), a subsidiary of the Company (a company renamed to Ningxia Building Materials on 26 December 2011 after the absorption merger of Ningxia Building Materials Group Company Limited by Saima Industry)
"Nomination Committee"	the nomination committee of the Board
"Parent" or "Sinoma Group"	China National Materials Group Corporation Ltd. (中國中材集團有限公司) (previously known as China National Materials Group Corporation), the controlling shareholder and one of the promoters of the Company
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PRC" or "China"	the People's Republic of China, which for the purposes of this annual report only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Qilianshan Co."	Gansu Qilianshan Cement Group Company Limited (甘肅祁連山水泥集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600720), a subsidiary of the Company
"Qilianshan Holdings"	Gansu Qilianshan Building Materials Holdings Company Limited (甘肅祁連山建材控股有限公司), a subsidiary of the Company
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"Saima Industry"	Ningxia Saima Industry Co., Ltd. (寧夏賽馬實業股份有限公司), renamed to Ningxia Building Materials Group Co., Limited on 26 December 2011 after the absorption merger of Ningxia Building Materials Group Company Limited
"Securities Law"	the Securities Law of the People's Republic of China
"Sinoma Advanced Materials"	Sinoma Advanced Materials Co., Ltd. (中材高新材料股份有限公司), a subsidiary of the Company
"Sinoma Cement"	Sinoma Cement Co., Ltd. (中材水泥有限責任公司), a wholly-owned subsidiary of the Company
"Sinoma Energy Conservation"	Sinoma Energy Conservation Ltd. (中材節能發展有限公司), a subsidiary of the Parent
"Sinoma Environmental"	Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司), a wholly-owned subsidiary of Sinoma International
"Sinoma Hanghuo"	Sinoma Hanghuo Science Park Development Co., Ltd. (中材恒和科技園開發有限公司), a wholly-owned subsidiary of the Company, which has been deregistered on 16 February 2012

"Sinoma Hengda"	Sinoma Hengda Cement Co., Ltd. (中材亨達水泥有限公司), a subsidiary of Sinoma Cement
"Sinoma International"	Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600970), a subsidiary of the Company
"Sinoma Jinjing"	Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司), a subsidiary of the Company
"Sinoma Mining"	Sinoma Mining Construction Co., Ltd. (中材礦山建設有限公司), a wholly-owned subsidiary of the Company
"Sinoma Science & Technology"	Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 002080), a subsidiary of the Company
"Sinoma (Hong Kong)"	China National Materials (Hong Kong) Co., Limited. (中國中材股份(香港)有限公司), a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong
"Sinoma Xiangtan"	Sinoma Xiangtan Cement Co., Ltd. (中材湘潭水泥有限責任公司), a wholly-owned subsidiary of Sinoma Cement
"Sinoma Shangrao"	Sinoma Shangrao Machinery Co., Ltd. (上饒中材機械有限公司), a wholly-owned subsidiary of Sinoma International
"Strategy Committee"	the strategy committee of the Board
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisor committee of the Company
"Taishan Investment"	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company
"Tianshan Cement"	Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), a subsidiary of the Company
"Tianshan Group"	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材(集團)有限責任公司), a subsidiary of the Parent and one of the promoters of the Company
"Well Kent"	Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company
"Xiamen Standard Sand"	Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司), a subsidiary of the Company
"Zibo Hi-Tech"	Zibo New & Hi-Tech Venture Capital Co., Ltd. (淄博高新技術風險投資股份有限公司), one of the promoters of the Company

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