CNBM

China National Building Material Company Limited*

中 國 建 材 股 份 有 限 公 司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3323)

Announcement of Annual Results For the Year Ended 31 December 2012

The Group's audited consolidated revenue amounted to RMB87,218 million for the year ended 31 December 2012, representing an increase of 8.9% over the same period in 2011.

The audited profit attributable to equity holders of the Group was RMB5,580 million, representing a decrease of 30.4% over the same period in 2011.

Basic earnings per share was RMB1.03, representing a decrease of 30.4% over the same period in 2011.

The Board intends to recommend to distribute final dividend of RMB0.155 (pre-tax) per share for 5,399,026,262 shares for 2012 (2011: RMB0.215 (pre-tax) per share for 5,399,026,262 shares), representing a total amount of RMB836,849,070.61 (pre-tax) (2011 total: RMB1,160,790,646.33 (pre-tax)).

The Board is pleased to announce the consolidated results and the financial position of the Group for the year ended 31 December 2012 prepared in accordance with the IFRS, together with its consolidated results and financial position for the year ended 31 December 2011 for comparison.

The audited financial statements of the Group for the year ended 31 December 2012 have been reviewed by the independent auditor, the Board and the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
Revenue	3	**87,217,629**	80,058,470
Cost of sales		**(67,089,167)**	(58,741,878)
Gross profit		**20,128,462**	21,316,592
Investment and other income	5	**5,200,305**	2,993,345
Selling and distribution costs		**(3,880,879)**	(2,212,707)
Administrative expenses		**(5,361,628)**	(4,384,247)
Other expenses		**(113,888)**	(225,565)
Finance costs - net	6	**(6,507,145)**	(3,859,060)
Share of profit of associates		**458,642**	686,149
Profit before income tax	7	**9,923,869**	14,314,507
Income tax expense	8	**(2,186,883)**	(3,568,768)
Profit for the year		**7,736,986**	10,745,739
Profit attributable to:			
Owners of the Company		**5,579,601**	8,015,074
Non-controlling interests		**2,157,385**	2,730,665
		7,736,986	10,745,739
Earnings per share - basic and diluted *(RMB)*	10	**1.03**	1.48
Dividends			
— paid	9	**1,160,791**	502,109
— proposed	9	**836,849**	1,160,791

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**7,736,986**	10,745,739
Other comprehensive income/(expense), net of tax: ***(Note (b))***		
— Currency translation differences	**3,305**	28,848
— Changes in fair value of available-for-sale financial assets	**(6,019)**	11,435
— Shares of associates' other comprehensive income/(expense)	**834**	(29,451)
Total comprehensive income for the year	**7,735,106**	10,756,571
Total comprehensive income attributable to:		
Owners of the Company	**5,578,960**	8,026,774
Non-controlling interests	**2,156,146**	2,729,797
Total comprehensive income for the year	**7,735,106**	10,756,571

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012	2011
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**105,413,739**	71,161,140
Prepaid lease payments		**11,667,731**	7,898,822
Investment properties		**318,842**	282,461
Goodwill		**31,002,443**	14,901,036
Intangible assets		**3,420,644**	2,147,433
Interests in associates		**6,350,167**	4,787,838
Available-for-sale financial assets		**575,337**	503,062
Deposits		**8,409,669**	6,914,437
Deferred income tax assets		**1,764,154**	906,210
		168,922,726	109,502,439
Current assets			
Inventories		**12,222,221**	9,677,220
Trade and other receivables	11	**45,611,201**	22,924,382
Held-for-trade investments		**247,663**	299,402
Amounts due from related parties		**5,824,406**	2,988,867
Pledged bank deposits		**3,383,274**	3,264,655
Cash and cash equivalents		**10,222,056**	9,738,253
		77,510,821	48,892,779
Current liabilities			
Trade and other payables	12	**47,250,608**	25,800,429
Amounts due to related parties		**2,023,967**	1,286,664
Borrowings - amount due within one year		**90,751,945**	53,117,981
Derivative financial instruments		**—**	464
Obligations under finance leases		**1,749,899**	873,537
Current income tax liabilities		**1,926,978**	2,108,342
Financial guarantee contracts due within one year		**—**	158
Dividend payable to non-controlling interests		**214,366**	163,112
		143,917,763	83,350,687
Net current liabilities		**(66,406,942)**	(34,457,908)
Total assets less current liabilities		**102,515,784**	75,044,531

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Borrowings - amount due after one year		**51,864,572**	32,748,245
Deferred income		**1,026,178**	1,098,749
Obligations under finance leases		**3,514,960**	2,096,773
Financial guarantee contracts due after one year		**60,150**	64,000
Deferred income tax liabilities		**1,985,077**	1,425,602
		58,450,937	37,433,369
Net assets		**44,064,847**	37,611,162
Capital and reserves			
Share capital		**5,399,026**	5,399,026
Reserves		**25,097,072**	20,932,742
Equity attributable to			
Owners of the Company		**30,496,098**	26,331,768
Non-controlling interests		**13,568,749**	11,279,394
Total equity		**44,064,847**	37,611,162

Auditor's work on the preliminary announcement

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, Baker Tilly HK, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly HK on the preliminary announcement.

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, except for certain available-for-sale financial assets, held-for-trading investment and derivative financial instruments, which are measured at fair values.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

1.1 New and amended standards adopted by the Group

The following amendments to IFRSs are mandatory for the first time adoption for the accounting period beginning on 1 January 2012:

IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The adoption of these amendments to IFRSs had no material effects on the amounts reported and disclosures set out in the consolidated financial statements.

1.2 New and revised IFRSs issued but not yet effective

The following new standards and amendments to standards and interpretations have been issued but are not yet effective for the accounting period beginning on 1 January 2012 and have not been early adopted:

IFRS 7 (Amendments)	Disclosures-Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[4]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Liabilities[4]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated financial Statement, Joint Arrangements and Disclosure of interests in other Entities: Transition Guidance[2]
IFRS 13	Fair Value Measurement[2]
IFRS 10, IFRS 12 and IAS 27 (as revised in 2011) (Amendments)	Investment Entities [3]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IAS 19 (Amendments)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
IFRIC Interpretation-20	Stripping Costs in the Production Phase of a Surface Mine[2]
Annual Improvements Project	Annual Improvements to IFRSs 2009-2011 Cycle, except for amendments IAS 1[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

IFRS 7 (Amendments) issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 "Financial Instruments: Recognition and Measurement". This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions"). The changes only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC - Interpretation 12 "Consolidation - Special Purpose Entities". IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC - Interpretation 12.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC - Interpretation 13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 "Consolidated and Separate Financial Statements", IAS 31 "Interests in Joint Ventures" and IAS 28 "Investments in Associates". It also introduces a number of new disclosure requirements for these entities. Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other IFRSs.

The amendments to IFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (as revised in 2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities.

IAS 1 (Amendments) change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified.

IAS 19 (Amendments) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short- term employee benefits and disclosures of defined benefit plans.

IAS 32 (Amendments) clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements.

IFRIC Interpretation-20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 "Inventories". To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets.

The directors anticipate that the above new and revised IFRSs issued but not yet effective will be adopted in the Group's financial statements for the accounting period when they become effective.

Other than as described above, the directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the consolidated financial statements.

2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, management is required to make judgements, 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 the current and future periods.

The followings 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.

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 judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2012, the carrying value of property, plant and equipment is approximately RMB105,413.74 million (2011: approximately RMB71,161.14 million).

Write down of inventories

During the year, the Group made write down of inventories of approximately RMB2.56 million (2011: reversal of provision inventories approximately RMB6.39 million). The Group makes write down of inventories based on assessment of the net realisable value of inventories. Write down of inventories 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 judgement and estimates on the conditions and usefulness of the inventories.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31 December 2012, the carrying amount of goodwill is approximately RMB31,002.44 million (2011: approximately RMB14,901.04 million).

Allowance for bad and doubtful debts

During the year, the Group provided allowance for bad and doubtful debts of approximately RMB65.73 million (2011: approximately RMB169.17 million) based on an assessment of the present value of the estimated future cash flow from trade and other receivables. Allowance on the estimated future cash flow is applied where events or changes in circumstances indicate that the part of or the whole balances may not be recoverable. The estimation of future cash flow from trade and other receivables requires the use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact on the carrying value of trade and other receivables and doubtful debts expenses in the year in which such estimate has been changed.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3 REVENUE

	2012	2011
	RMB'000	*RMB'000*
Sale of goods	**83,279,665**	73,888,215
Provision of engineering services	**3,935,849**	6,165,104
Rendering of other services	**2,115**	5,151
	87,217,629	80,058,470

4 SEGMENTS INFORMATION

(a) Operating segments

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

The revised segment information for the year ended 2011 constitutes a reclassification of concrete business from cement business in order to better reflect the future development of concrete business line of the Group. The change has no impact on reported revenue and profit.

Principal activities are as follows:

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

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2012

	Cement	Concrete	Lightweight Building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Revenue								
External sales	58,367,475	9,341,413	6,635,437	2,195,361	5,199,199	5,478,744	—	87,217,629
Inter-segment sales *(Note)*	1,416,813	—	—	—	868,212	1,007,406	(3,292,431)	—
	59,784,288	9,341,413	6,635,437	2,195,361	6,067,411	6,486,150	(3,292,431)	87,217,629
Adjusted EBITDA	16,194,593	1,669,811	1,445,262	265,983	601,252	368,922	—	20,545,823
Depreciation and amortisation, and prepaid lease payments release to consolidated income statements	(3,764,620)	(275,633)	(244,890)	(93,302)	(43,177)	(18,942)	(13,057)	(4,453,621)
Unallocated other income								9,508
Unallocated administrative expenses								(129,338)
Share of profit/(loss) of associates	338,075	—	4,153	110,923	(348)	5,839	—	458,642
Financial costs - net								(6,507,145)
Profit before income tax								9,923,869
Income tax expense								(2,186,883)
Profit for the year								7,736,986

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

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

	Cement	Concrete	Lightweight Building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information								
Capital expenditure:								
— Property, plant and equipment	6,278,045	501,375	1,199,017	321,192	51,691	408,196	—	8,759,516
— Prepaid lease payments	219,517	13,759	30,896	20,069	9,506	20,777	—	314,524
— Intangible assets	570,250	1,871	5,354	21,306	2,562	453	—	601,796
— Unallocated								64,372
	7,067,812	517,005	1,235,267	362,567	63,759	429,426		9,740,208
— Acquisition of subsidiaries	27,391,864	7,406,483	—	—	41,874	838	—	34,841,059
Depreciation and amortisation								
— Property, plant and equipment	3,286,384	269,191	223,923	84,935	34,224	16,576	—	3,915,233
— Intangible assets	216,084	1,505	5,776	2,450	4,420	237	—	230,472
— Unallocated								9,678
	3,502,468	270,696	229,699	87,385	38,644	16,813		4,155,383
Prepaid lease payments released to the consolidated income statement	275,209	4,937	15,191	5,917	4,533	2,129	—	307,916
Allowance/(reversal of provision) for bad and doubtful debts	(20,737)	18,008	8,005	24,554	30,610	5,288	—	65,728
Write down/ (reversal of provision) for inventories	1,352	(1,372)	—	—	—	2,578	—	2,558

	Cement	Concrete	Lightweight Building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Statement of financial position								
Assets								
Segment assets	169,575,996	25,133,982	8,613,442	5,609,157	5,934,889	4,917,876	—	219,785,342
Investment in associates	4,406,955	—	198,812	1,643,970	41,269	59,161	—	6,350,167
Unallocated assets								20,298,038
Total consolidated assets								246,433,547
Liabilities								
Segment liabilities	32,076,495	8,861,536	1,161,707	1,539,616	2,444,269	567,875	—	46,651,498
Unallocated liabilities								155,717,202
Total consolidated liabilities								202,368,700

Year ended 31 December 2011 (Revised)

	Cement	Concrete	Lightweight Building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Revenue								
External sales	59,224,771	1,047,569	5,958,144	2,208,220	6,417,201	5,202,565	—	80,058,470
Inter-segment sales *(Note)*	447,952	—	602	—	472,419	193,627	(1,114,600)	—
	59,672,723	1,047,569	5,958,746	2,208,220	6,889,620	5,396,192	(1,114,600)	80,058,470
Adjusted EBITDA	17,625,254	164,036	1,139,579	349,094	775,408	176,196	—	20,229,567
Depreciation and amortisation, and prepaid lease payments release to consolidated income statements	(2,540,467)	(13,443)	(201,479)	(94,568)	(34,006)	(18,755)	(5,152)	(2,907,870)
Unallocated other income								289,797
Unallocated other expenses								(11,724)
Unallocated administrative expenses								(112,352)
Share of profit/(loss) of associates	511,014	—	4,441	181,911	(175)	(11,042)	—	686,149
Financial costs - net								(3,859,060)
Profit before income tax								14,314,507
Income tax expense								(3,568,768)
Profit for the year								10,745,739

	Cement	Concrete	Lightweight Building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information								
Capital expenditure:								
— Property, plant and equipment	7,639,975	16,061	1,404,499	279,998	125,430	174,049	—	9,640,012
— Prepaid lease payments	542,040	22,272	37,278	129,095	22,940	30,166	—	783,791
— Intangible assets	278,009	—	268	4,831	2,412	202	—	285,722
— Unallocated								1,229,387
	8,460,024	38,333	1,442,045	413,924	150,782	204,417		11,938,912
— Acquisition of subsidiaries	13,406,357	267,529	—	—	7,481	—	—	13,681,367
Depreciation and amortisation								
— Property, plant and equipment	2,270,750	13,024	184,514	83,948	28,011	15,889	—	2,596,136
— Intangible assets	140,943	47	1,699	3,506	1,829	121	—	148,145
— Unallocated								8,682
	2,411,693	13,071	186,213	87,454	29,840	16,010		2,752,963
Prepaid lease payments released to the consolidated income statement	133,927	372	15,266	7,114	4,167	2,743	—	163,589
Allowance/(reversal of provision) for bad and doubtful debts	71,622	4,122	7,681	19,737	68,912	(2,904)	—	169,170
Reversal of provision for inventories	—	—	(3,358)	(3,030)	—	—	—	(6,388)

	Cement	Concrete	Lightweight Building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Statement of financial position								
Assets								
Segment assets	114,157,458	1,192,478	7,564,762	5,029,393	5,519,099	3,945,018	—	137,408,208
Investment in associates	2,904,747	—	193,137	1,596,035	41,617	52,302	—	4,787,838
Unallocated assets								16,199,172
Total consolidated assets								158,395,218
Liabilities								
Segment liabilities	19,153,046	302,558	994,978	1,422,934	3,114,021	446,069	—	25,433,606
Unallocated liabilities								95,350,450
Total consolidated liabilities								120,784,056

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

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

	2012	2011
	RMB'000	*RMB'000*
Adjusted EBITDA for reportable segments	**20,176,899**	20,053,371
Adjusted EBITDA for other segment	**368,923**	176,196
Eliminations	**—**	—
Total segments	**20,545,822**	20,229,567
Depreciation of property, plant and equipment	**(3,915,239)**	(2,596,136)
Amortisation of intangible assets	**(230,472)**	(148,145)
Prepaid lease payments released to the consolidated income statements	**(307,916)**	(163,589)
Corporate items	**(119,823)**	165,721
Operating profit	**15,972,372**	17,487,418
Finance costs-net	**(6,507,145)**	(3,859,060)
Share of profit of associates	**458,642**	686,149
Profit before income tax	**9,923,869**	14,314,507

(b) Geographical segments

The Group's revenue from the following geographical markets, based on the locations of customers:

	Revenue from external customers	
	2012	2011
	RMB'000	*RMB'000*
PRC	**86,459,164**	78,967,670
Europe	**94,336**	107,898
Middle East	**32,063**	473,215
Southeast Asia	**98,188**	66,251
Oceania	**515,701**	388,778
Others	**18,177**	54,658
	87,217,629	80,058,470

More than 90% of the Group's operations and assets are located in the PRC for the year ended 31 December 2012 and 2011.

(c) Information of major customers

No single customer amounted for 10% or more of the total revenue for the year ended 31 December 2012 and 2011.

5 INVESTMENT AND OTHER INCOME

	2012 *RMB'000*	2011 *RMB'000*
Dividend from available-for-sale financial assets	**11,263**	7,116
Discount on acquisition of interests in subsidiaries	**42,965**	49,850
Financial guarantee income	**4,008**	3,430
Gain on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**31,917**	—
Government subsidies:		
— VAT refunds *(Note (a))*	**1,942,147**	1,515,268
— Government grants *(Note (b))*	**2,277,247**	1,155,302
— Interest subsidy	**69,271**	24,699
Increase/ (decrease) in fair value of held-for-trading investments	**144,745**	(96,288)
Net rental income from:		
— Investment properties	**32,886**	33,956
— Equipment	**44,440**	22,694
Technical and other service income	**302,801**	1,064
Waiver of payables	**252,635**	36,964
Gain on disposal of subsidiaries	**—**	100,825
Gain on disposal of associates	**—**	28,704
Others	**43,980**	109,761
	5,200,305	2,993,345

Notes:

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

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

6 FINANCE COSTS - NET

	2012	2011
	RMB'000	*RMB'000*
Interest expenses on bank borrowings:		
— wholly repayable within five years	**5,890,775**	3,743,356
— not wholly repayable within five years	**33,515**	60,199
	5,924,290	3,803,555
Interest expenses on bonds and other borrowings	**1,698,419**	622,988
Less: interest capitalised to construction in progress	**(440,978)**	(297,879)
	7,181,731	4,128,664
Interest income:		
— interest on bank deposits	**(244,031)**	(144,865)
— interest on loans receivables	**(430,555)**	(124,739)
	(674,586)	(269,604)
Finance costs - net	**6,507,145**	3,859,060

Borrowing costs capitalised for the year ended 31 December 2012 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 6.67% (2011: 6.25%) per annum to expenditure on the qualifying assets.

7 PROFIT BEFORE INCOME TAX

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

	2012	2011
	RMB'000	*RMB'000*
Depreciation of:		
— property, plant and equipment	**3,916,691**	2,596,990
— investment properties	**8,220**	7,828
	3,924,911	2,604,818
Amortisation of intangible assets	**230,472**	148,145
Total depreciation and amortisation	**4,155,383**	2,752,963
Impairment loss on available-for-sale financial assets	**—**	10,120
Impairment loss on goodwill of subsidiaries	**—**	49,453
Impairment loss on prepaid lease payments	**—**	148
Impairment loss on property, plant and equipment	**3,630**	100,898
Cost of inventories recognised as expenses	**60,425,340**	46,323,536
Prepaid lease payments released to the consolidated income statement	**307,916**	163,589
Auditor's remuneration	**9,684**	11,244
Staff costs including directors' remunerations:		
— Salaries, bonus and other allowances	**4,048,466**	3,824,741
— Share appreciation rights	**839**	2,486
— Retirement plan contributions	**394,470**	358,066
Total staff costs	**4,443,775**	4,185,293
Allowance for bad and doubtful debts	**65,728**	169,170
Write down/(reversal of provision) of inventories	**2,558**	(6,388)
Operating lease rentals	**78,596**	42,573
(Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**(31,917)**	4,269
Net foreign exchange (gains)/losses	**(846)**	15,203

8 INCOME TAX EXPENSE

(a) Taxation in the consolidated income statement

	2012	2011
	RMB'000	*RMB'000*
Current income tax	**2,817,223**	3,578,806
Deferred income tax	**(630,340)**	(10,038)
	2,186,883	3,568,768

PRC income tax is calculated at 25% (2011: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

The total charge for the year can be reconciled to the profit before income tax as follows:

	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**9,923,869**	14,314,507
Tax at domestic income tax rate of 25% (2011: 25%)	**2,480,967**	3,578,627
Tax effect of:		
Share of profit of associates	**(114,661)**	(171,537)
Expenses not deductible for tax purposes	**61,148**	454,600
Income not taxable for tax purposes	**(100,944)**	(168,788)
Tax effect of tax losses not recognised	**260,024**	319,639
Utilisation of previously unrecognised tax losses	**(310,926)**	(355,651)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note)*	**(14,644)**	(24,645)
Effect of different tax rates of subsidiaries	**(74,081)**	(63,477)
Income tax expense	**2,186,883**	3,568,768

Note:

Pursuant to the relevant tax rules and regulations, certain subsidiaries of the Company can claim PRC income tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the PRC, to the extent of the PRC income tax expense for the current year in excess of that for the previous year. Such PRC income tax credits are allowed as a deduction of current income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

(b) Tax effects relating to each component of other comprehensive income:

		2012			2011	
	Before taxation	**Taxation charged**	**Net of taxation**	Before taxation	Taxation charged	Net of taxation
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Currency translation differences	**3,305**	**—**	**3,305**	28,848	—	28,848
Changes in fair value of available-for- sale financial assets	**(8,024)**	**2,005**	**(6,019)**	15,246	(3,811)	11,435
Shares of associates' other comprehensive income/ (expense)	**834**	**—**	**834**	(29,451)	—	(29,451)
Other comprehensive (expenses)/ income	**(3,885)**	**2,005**	**(1,880)**	14,643	(3,811)	10,832

9 DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends paid	**1,160,791**	502,109
Proposed final dividend — RMB0.155 (2011: RMB0.215) per share	**836,849**	1,160,791

The final dividend of RMB0.155 per share has been proposed by the board of directors.

The above proposed 2012 dividends are subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

10 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2012	2011
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**5,579,601**	8,015,074
Weighted average number of ordinary shares in issue	**5,399,026**	5,399,026

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

11 TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables, net of allowance for bad and doubtful debts *(Note (b))*	**20,116,046**	7,701,660
Bills receivable *(Note (c))*	**6,134,407**	5,448,855
Amounts due from customers for contract work	**379,937**	797,032
Loans receivable *(Note (g))*	**—**	49,893
Prepaid lease payments	**247,370**	194,434
Other receivables, deposits and prepayments	**18,733,441**	8,732,508
	45,611,201	22,924,382

Notes:

(a) The carrying amounts of the trade and other receivables approximate to their fair values.

(b) The Group normally allowed an average of credit period of 60-180 days to its trade customers. Ageing analysis of trade receivables is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within two months	**8,178,120**	3,893,745
More than two months but within one year	**9,361,932**	2,647,746
Between one and two years	**2,226,311**	848,928
Between two and three years	**203,189**	238,291
Over three years	**146,494**	72,950
	20,116,046	7,701,660

(c) The bills receivable is aged within six months.

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB11,937.92 million (2011: approximately RMB3,807.92 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has not been a significant change in credit quality. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2012, the retention receivables of approximately RMB27.68 million (2011: approximately RMB41.50 million) and receivables within contractual payment term of approximately RMB15.36 million (2011: approximately RMB26.44 million) with ageing between one and two years are not past due.

Ageing of trade receivables which are past due but not impaired:

	2012	2011
	RMB'000	*RMB'000*
More than two months but within one year	**9,361,932**	2,647,746
Between one and two years	**2,226,311**	848,928
Between two and three years	**203,189**	238,291
Over three years	**146,494**	72,950
	11,937,926	3,807,915

(e) Movement in the allowance for bad and doubtful debts:

	2012 *RMB'000*	2011 *RMB'000*
As at 1 January	**744,747**	540,667
Additions from acquisition of subsidiaries	**651,282**	34,910
Allowances for bad and doubtful debts	**65,728**	169,170
As at 31 December	**1,461,757**	744,747

(f) Carrying amounts of trade and other receivables were denominated in the following currencies:

	2012 *RMB'000*	2011 *RMB'000*
RMB	**45,149,458**	22,448,706
EUR	**133,850**	15,092
PGK	**22,423**	28,935
USD	**235,525**	376,374
SAR	**9,009**	7,163
VND	**26,733**	26,711
KZT	**5,269**	6,486
AUD	**—**	14,915
HKD	**19,833**	—
Others	**9,101**	—
	45,611,201	22,924,382

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted to the report date.

(g) The amounts are carried interests at interest rates of 5.18% (2011: 5.18%) per annum and repayable within one year. The balance is due from independent parties and is unsecured.

(h) As at 31 December 2012, approximately RMB1,365.46 million (2011: approximately RMB66.97 million) of the trade receivables and approximately RMB2,285.19 million (2011: approximately RMB1,524.08 million) of bill receivables have pledged to secure bank loans granted to the Group.

12 TRADE AND OTHER PAYABLES

Ageing analysis of trade and other payables is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within two months	**7,865,398**	5,927,990
More than two months but within one year	**7,032,522**	4,704,366
Between one and two years	**1,825,741**	834,683
Between two and three years	**339,739**	188,261
Over three years	**276,431**	231,693
Trade payables	**17,339,831**	11,886,993
Bills payable	**5,816,210**	2,261,775
Provision for share appreciation rights	**—**	4,231
Amounts due to customers for contract work	**149,408**	34,945
Other payables	**23,945,159**	11,612,485
	47,250,608	25,800,429

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

BUSINESS HIGHLIGHTS

The major operating data of each segment of the Group for 2012 and 2011 are set out below:

CEMENT SEGMENT

China United

	For the year ended 31 December	
	2012	2011
Production volume-cement *(in thousand tonnes)*	**42,590.1**	41,204.5
Production volume-clinker *(in thousand tonnes)*	**46,348.8**	46,572.1
Sales volume-cement *(in thousand tonnes)*	**40,390.0**	41,297.9
Sales volume-clinker *(in thousand tonnes)*	**21,350.0**	19,890.0
Unit selling price-cement *(RMB per tonne)*	**266.7**	295.9
Unit selling price-clinker *(RMB per tonne)*	**236.0**	278.4
Sales volume-commercial concrete *(in thousand m^3)*	**14,006.1**	758.9
Unit selling price-commercial concrete *(RMB per m^3)*	**303.7**	325.1

South Cement

	For the year ended 31 December	
	2012	2011
Production volume-cement *(in thousand tonnes)*	**80,462.4**	75,746.4
Production volume-clinker *(in thousand tonnes)*	**76,010.1**	74,732.0
Sales volume-cement *(in thousand tonnes)*	**76,816.5**	78,339.3
Sales volume-clinker *(in thousand tonnes)*	**22,018.9**	23,393.9
Unit selling price-cement *(RMB per tonne)*	**265.5**	340.1
Unit selling price-clinker *(RMB per tonne)*	**218.7**	316.5
Sales volume-commercial concrete *(in thousand m^3)*	**16,153.1**	1,963.0
Unit selling price-commercial concrete *(RMB per m^3)*	**294.5**	312.5

North Cement

	For the year ended 31 December	
	2012	2011
Production volume-cement *(in thousand tonnes)*	**11,129.6**	9,343.6
Production volume-clinker *(in thousand tonnes)*	**12,840.8**	11,171.8
Sales volume-cement *(in thousand tonnes)*	**11,294.0**	9,421.3
Sales volume-clinker *(in thousand tonnes)*	**6,317.9**	6,103.0
Unit selling price-cement *(RMB per tonne)*	**366.2**	327.9
Unit selling price-clinker *(RMB per tonne)*	**309.1**	285.6
Sales volume-commercial concrete *(in thousand m^3)*	**629.1**	448.9
Unit selling price-commercial concrete *(RMB per m^3)*	**353.0**	304.9

Binzhou Cement

	For the year ended 31 December	
	2012	2011
Production volume-cement *(in thousand tonnes)*	**1,951.0**	1,785.7
Production volume-clinker *(in thousand tonnes)*	**2,963.2**	1,753.4
Sales volume-cement *(in thousand tonnes)*	**1,978.3**	1,753.3
Sales volume-clinker *(in thousand tonnes)*	**1,619.8**	415.6
Unit selling price-cement *(RMB per tonne)*	**387.1**	400.3
Unit selling price-clinker *(RMB per tonne)*	**308.5**	287.3

Southwest Cement

	For the year ended 31 December	
	2012	2011
Production volume-cement *(in thousand tonnes)*	**45,488.6**	3,075.3
Production volume-clinker *(in thousand tonnes)*	**34,831.3**	1,965.9
Sales volume-cement *(in thousand tonnes)*	**36,294.7**	2,754.7
Sales volume-clinker *(in thousand tonnes)*	**2,105.0**	219.1
Unit selling price-cement *(RMB per tonne)*	**250.5**	282.4
Unit selling price-clinker *(RMB per tonne)*	**248.0**	257.3
Sales volume-commercial concrete *(in thosuand m^3)*	**274.3**	17.3
Unit selling price-commercial concrete *(RMB per m^3)*	**305.7**	265.5

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the year ended 31 December	
	2012	2011
Gypsum boards - BNBM		
Production volume *(in million m^2)*	**156.7**	142.7
Sales volume *(in million m^2)*	**163.8**	134.8
Average unit selling price *(RMB per m^2)*	**7.09**	7.22
Gypsum boards - Taishan Gypsum		
Production volume *(in million m^2)*	**887.1**	763.1
Sales volume *(in million m^2)*	**889.5**	742.2
Average unit selling price *(RMB per m^2)*	**4.94**	5.05

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

	For the year ended 31 December	
	2012	2011
Rotor blade		
Production volume *(in blade)*	**3,067.0**	3,849.0
Sales volume *(in blade)*	**3,507.0**	3,538.0
Average unit selling price *(RMB per blade)*	**375,900.0**	389,500.0

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2012, amid complex domestic and foreign economic environments, the central government of China concentrated on accelerating the transformation of economic development mode as the main thread of work, adhered to the general keynote of making progress while ensuring stability by promptly strengthening and improving macroeconomic control and emphasising stabilising growth. As a result, the overall national economy remained stable amid the slowdown, and economic and social development experienced stabilised growth. Compared with the same period last year, China's GDP increased by 7.8%, while the total investments in fixed assets and real-estate development in China increased by 20.6% and 16.2% respectively, indicating that the Chinese economy is shifting from a high-speed growth period to a mid-speed growth one. Affected by the domestic economic slowdown, demand for the cement industry stalled in growth, whilst its economic benefits declined.

2012 was a very unusual yet rewarding year for CNBM. Over the past year, under the discerning decisions and leadership of the Board, the management team led our staff to tackle the pressures and challenges brought by the slower economic growth and production overcapacity, leveraged on the opportunities arising from the acceleration in the transformation of development mode, structural adjustment and transformation and upgrade in the building materials industry. We adhered to the operational mode of "Market-oriented Operation of Central State-owned Enterprises" and the development strategy of consolidation and optimisation by implementing the business ideology of "PCP (Price-Cost-Profit)". We have also made comprehensive developments in respect of marketing, enhancing management, reducing costs and raising profits and consolidating and restructuring, in order to facilitate the transformation and upgrade of the enterprise and the industry, and to achieve stable development of the Company. Under the IFRS, the Group's consolidated revenue amounted to RMB87,218 million for the year of 2012, representing an increase of 8.9% over 2011. Profit attributable to equity holders of the Company amounted to RMB5,580 million, representing a decrease of 30.4% over 2011. The sales of the major products of the Group increased, and a better development momentum was maintained. Taking this opportunity, I would like to express my heartfelt gratitude to all our Shareholders for their lasting trust and support.

On behalf of the Board, I am pleased to present the Company's 2012 Annual Report and major results to you:

In 2012, CNBM focused on the general principle of "maintaining growth". The Company has adhered to the operational mode of "Market-oriented Operation of Central State-owned Enterprises", and continued to make progress in the areas of consolidation and restructuring, management integration, capital operation and integrated innovation. In respect of consolidation and restructuring, the core profit-generating regions were continually consolidated and expanded, especially the rapid consolidation of the Southwestern China market, which further improved the layout of strategic regions. Also, the industry chain was actively extended and the commercial concrete business was significantly developed, to allow the formation of positive market synergy between the cement and commercial concrete business, and to increase control and discourse power in the terminal markets of the regions. In respect of management integration, CNBM further proceeded with management enhancement by increasing income considerably and reducing expenditures, strengthening the implementation of the core principle of the "Three Five" management to save costs and enhance efficiency, so as to facilitate the enterprise to operate in an intensified and performance-oriented manner. In respect of capital operation, CNBM fully leveraged on the capital markets and bank to finance, thereby providing strong support for the stable operation of the Company. In respect of technological innovation, we achieved improvement of productivity and efficiency, energy saving and emission reduction through enhancing integrated innovation.

CNBM proposed the strategy of consolidation and optimisation in response to production overcapacity and disorderly competition in the industry, actively promoted rational competition and the "blue ocean" strategy, thereby facilitating orderly and sound development in the market. CNBM strongly promoted the business ideology of "PCP", leveraged on its influence and leadership in the industry to enhance marketing and strongly promote strategic cooperation among large enterprises. Through such actions, CNBM helped to create a strategic platform on which resources are shared, achieve complementary advantages and thus a win-win situation, and significantly contribute to the structural adjustment and the sound development of the industry.

We overcame severe challenges last year and that makes us more confident this year.

The domestic economic situation in 2013 is expected to be better than that in 2012. Though the global economic environment is complicated and full of uncertainties, China is still experiencing a promising period with significant strategic opportunities, as the fundamentals of economic and social development are favourable in the long term. GDP in 2013 is expected to continue to grow by 7.5% and mid-speed growth will become the "new norm" of the Chinese economy. The 18th NCCPC deeply expounded the way of future economic and social development as well as the way of deepening the reform of the economic system and transformation of the development mode. It also clearly proposed to complete constructing a comprehensive well-off society and the plans of doubling GDP and income per capita for both urban and rural residents by 2020. The attainment of this objective further requires to deepen economic system reform and strengthen economic structure adjustment, which will create significant opportunities for the building materials industry and enterprises.

2013 is a critical and transitional year for the implementation of the “Twelfth Five-year Plan”. On the one hand, the central government of China will actively and steadily promote urbanisation, which is the greatest potential for the domestic demand and development engine for the new period, and will be providing favourable support to the building materials industry. On the other hand, the Guidance for Accelerating Industry Consolidation and Reorganization for Enterprises in Key Industries (《關於加快推進重點行業企業兼併重組的指導意見》) were promulgated jointly by 12 government departments including the MIIT at the beginning of this year. This document proposed to encourage consolidation and restructuring, increase the degree of the industry concentration, promote scale and intensive operation of the economies, enhance the market competitiveness and the efficiency of resource allocation and push forward the structural adjustment, optimisation and upgrading of the industry. The building materials industry will soon enter a new stage of quality optimization, efficiency enhancement and intensive and lean growth.

In 2013, in adherence to the work keynote of “making progress while ensuring stability”, we will accurately grasp the new situation of the macroeconomy and the building materials industry. Based on the working principles of “advance, meticulosity, refinement, solidity”, we will make deployment of production and operation in advance, implement plans and accomplish the goal as early as possible; further specify objectives and measures, and formulate specific strategy based on the markets and our features; carry forward management enhancement, meticulous organisation and lean management to improve quality and efficiency; work solidly with sound dedication to enhance our basis for development and strengthen our foundation. We will continue to persist in the operational mode of “Market-oriented Operation of Central State-owned Enterprises”, develop marketing in depth, steadily push forward consolidation and restructuring as well as capital operation, enhance innovation in technology and business model, continuously improve our market competiveness and reward our Shareholders and the society with outstanding results.

Song Zhiping
Chairman of the Board

Beijing, the PRC
22 March 2013

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at the date of this announcement are summarised as follows:

Business segments	Major products and services	Major operating entities held by the Company	Direct and indirect equity interests
Cement	NSP cement and commercial concrete	China United	100.00%
		South Cement	80.00%
		North Cement	70.00%
		Southwest Cement	70.00%(1)
Lightweight building materials	Dry wall and ceiling system	BNBM	52.40%
Glass fibre and composite materials	Rotor blades	China Composites	100.00%
	Glass fibre	China Fiberglass	32.79%
Engineering services	Design and engineering EPC services: Float glass production lines and NSP cement production lines	China Triumph	91.00%

Note:

(1) As at the date of this report, the Company contributed 88.95% of the paid-up capital of Southwest Cement. Upon completion of the capital contribution by all the shareholders, the Company's equity interest in Southwest Cement shall be 70%.

In 2012, faced with the difficult environment of slower economic growth, decline in demand growth for cement, significant increase in newly-added capacity, the Company overcame difficulties and recorded growth in both revenue and sales, further optimised its strategic layout and enhanced its management standard.

Increase in Revenue and Sales

In 2012, the Company adhered to the business ideology of "PCP", strengthened KPI management, persisted with its sales-driven production approach, enhanced its internal lean management, further exploited its potential and reduced costs, thereby facilitating moderate price increase in its core profit generating regions owing to rebounding demand in the second half of the year, and achieved simultaneous increase in revenue and the sales of its major products. The revenue increased by 8.9%year on year to 87,218 million, cement and clinker total sales volume increased by 20.3% year on year to 220.9 million tonnes, commercial concrete sales volume increased by 877.1% year on year to 31.2 million m^3, gypsum board sales volume increased by 20.1% year on year to 1,053 million m^2.

More Optimised Strategic Layout

Pursuant to the "big cement, regional development" strategy, the Company steadily pursued consolidation and restructuring of the cement business in its four major strategic regions, namely Huaihai, Southeast China, Northern China and Southwest China, thereby further expanding its production capacity and established 45 core profit-generating regions. Meanwhile, by taking advantages of its core profit-generating regions of the cement business, the Company strongly pushed forward with consolidation and restructuring of the commercial concrete business in its core profit-generating regions, thereby facilitating an effective interaction mechanism between the cement market and commercial concrete market. The strategic layout was also further optimised by the orderly progress of the projects construction and consolidation and restructuring of the other business.

Further Enhancement in Management

The Company vigorously developed its management enhancement activities. Firstly, it steadily proceeded with the "Five C", with a particular focus on financial centralisation and marketing centralisation, to improve capital operating efficiency and achieve the consolidation of regional marketing. Secondly, it deepened management integration and lean management as well as lean production and technology innovation, by implementing its cost and expense reduction scheme to save costs and increase efficiency. Thirdly, the principle of "simplified structure, capable personnel" was deeply implemented to optimize the organizational structure.

In 2012, awards received by the Company include the Golden Bauhinia Awards of "The Most Valuable Listing Company" (中國證券金紫荊"最具投資價值上市公司), the award of "The Best Investor-Managed Listed Company" (最佳投資者管理上市公司), "Top 100 Listed Companies in Hong Kong 2012" (2012年度港股「綜合實力100強」), "Top 10 Net Profit Growth" (淨利增長率10強), and "The Most Innovative Companies in China 2012"(最具創新力中國社會) honoured by the Fortune Magazine.

CEMENT SEGMENT

In 2012, the national economy experienced a slowdown, whilst the total investment in fixed assets, infrastructure and real estate declined. As a result, the growth in the national cement demand slowed down, with a total output of cement increased by 5.3% year on year to 2.21 billion tonnes. Compared with the same period last year, the total revenue of the cement industry increased by 0.06%, whilst the total profit decreased by 32.8%.

The central government of China continued its strict control on new production capacity. The fixed assets investment in the cement manufacturing industry of China decreased by 6.95% over the last year. Meanwhile, the State accelerated the elimination of outdated production capacity, with a total outdated cement production capacity phased out in 2012 amounting to 220 million tonnes whilst the NSP clinker production accounted for approximately 90% of the national capacity. However, new production capacity was released concentrically, which resulted in a continuous decrease in the prices of cement in the first half of 2012. In the second half of the year, the prices of cement began to stabilise and improve with the spike in demand. (Source: National Bureau of Statistics of China, MIIT)

In 2012, the Group actively responded to challenges such as the weak demand caused by macroeconomic slowdown in light of established development strategy and goals. By firmly focusing on the development of its core profit-generating regions, the Group steadily pressed ahead with the consolidation, restructuring and projects construction in the four strategic regions of Huaihai, Southeast China, Northern China and Southwest China to further increase the market shares. It also increased its efforts on extending the industry chain, by accelerating the consolidating and restructuring of its commercial concrete business in its strategic regions. As at the end of 2012, its production capacity of cement was approximately 350 million tonnes, whilst that of commercial concrete was approximately 300 million cubic metres. The Group adhered to the business ideology of "PCP", reinforced benchmark management with a focus on KPI and further proceeded with management enhancement, thereby reducing costs and increasing efficiency. By leveraging on its influence and leadership in the industry, it also effectively facilitated the transformation and upgrading of the enterprise, and the restructuring and sound development of the industry.

China United

Confronted with weak market demand and production overcapacity issues, China United firmly implemented the business ideology of "PCP" to promote the rational competition and sound development of the regional market.

China United actively proceeded with management advancement by strengthening its basic management, refining its cost control and fully implementing the "Five Enhancements", which effectively controlled its costs and expenses. It also deepened benchmark management and took advantage of its technological strengths to cut expenses and consumption to save energy and reduce emissions, and to further improve the quality and efficiency of its production and operation. In addition, China United further leveraged on its advantages in centralised procurement to reduce its purchasing costs and promote cost reduction and efficiency enhancement.

China United pressed ahead with consolidation and restructuring in its core profit-generating regions to expand its market share in those regions. It also stepped up its effort in the restructuring of its grinding stations to further improve the amenities of its cement grinding stations. With a focus on its core profit-generating regions, it actively pushed forward the restructuring of its commercial concrete business mainly in Shandong region to increase its control over the terminal markets. As at the end of 2012, its production capacity of cement reached 88 million tonnes, whilst that of commercial concrete reached 151 million cubic metres.

South Cement

South Cement actively implemented the business ideology of "PCP", adjusted its marketing strategies according to changes in the market demand and supply, and insisted on the production-driven sales approach and promulgated the scientific production plan. Meanwhile, it coordinated and managed its regional business based on its regional development strategy, to improve the mechanism of the management of product price.

South Cement further proceeded with management enhancement and deepened “Five C” management in its regional companies while achieving more centralised marketing, stronger control on its marketing activities and basic separation mechanism of production and sales. It further enhanced the financial centralisation and accelerated the integration of its financial activities, to effectively reduce its finance expenses. Moreover, material procurement centralisation achieved outstanding results with reduction in procurement costs indeed. South Cement continued to increase technical centralisation by enhancing technical renovation and innovation to save energy and protect environmental. It also continually carried forward the integration of its mines and logistics to improve its resources allocation, thereby effectively reducing transportation costs and solidly promoting informationised construction.

South Cement continued to proceed with the consolidation and restructuring of its cement business within the region and improved its regional strategic layout. Also, it pressed ahead with the consolidation and restructuring of the commercial concrete business in its core profit-generating regions to extend its industry chain, thereby increasing its control on the terminal markets. As at the end of 2012, its production capacity of cement reached 137 million tonnes, whilst that of commercial concrete reached 144 million cubic metres.

North Cement

North Cement strived to overcome unfavorable factors such as declined demand, and firmly implemented the business ideology of “PCP” and organised the production scientifically. North Cement thoroughly adjusted its traditional selling policy from the traditional “winter stocking” to “winter selling”.

North Cement solidly launched activities for management enhancement, further proceeded with management integration based on the “Three Five” management concept, by achieving concentration management of marketing, raw material supply and production technology, etc. Also it deepened lean management, enhanced performance benchmarking, fully implemented its cost and expense saving scheme to reduce its usage of energy and improve the management efficiency and operating results.

North Cement steadily proceeded with consolidation and restructuring of its cement business within the region, accelerated the construction of its core profit-generating regions and improved the amenities of its cement grinding stations to increase its market share in the region. It also actively pushed forward with consolidation and restructuring of its commercial concrete business in the core profit-generating regions of Heilongjiang and Jilin. As at the end of 2012, its production capacity of cement reached 32 million tonnes, whilst that of commercial concrete reached 4.60 million cubic metres.

Southwest Cement

Since its establishment at the end of 2011, Southwest Cement has efficiently and rapidly pushed forward consolidation and restructuring of its cement business, focused on prefecture-level cities, and constructed and improved 12 core profit-generating regions with strong efforts. Southwest Cement aims to increase its market share and control over its core profit-generating regions. As at the end of 2012, its production capacity of cement reached 86 million tonnes and became the largest cement enterprise in the Southwest China.

Southwest Cement adhered to the "PCP" business ideology, and fully leveraged on the advantages of its scale to enhance its economic benefits and to encourage rational competition in the regional market.

Southwest Cement steadily proceeded with the "Three Five" management concept, implement lean management and continually improve its internal control system. It has also put greater efforts on the management of and control on its marketing activities to optimise its marketing organisation and channels. Moreover, it comprehensively deepened the financial concentration management to increase risk control and continued to centralise the procurement of raw material to effectively lower its procurement cost. The benchmark management was solidly carried forward with enhanced technical innovation, thus achieving energy saving and emission reduction and cost reduction and efficiency enhancement.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

BNBM persisted in focusing on its principal business and the high-end of markets, advanced the gypsum board industry layout, and strived to develop projects construction of gypsum board. As at the end of 2012, its production capacity reached 1.65 billion m^2 and became the largest industrial group in the world.

BNBM adhered to the principle of "big customers, big orders, big projects", leveraged on the synergy with Taishan Gypsum, enhanced its marketing promotion efforts, actively engaged in the construction of welfare housing, and expanded and strengthened strategic cooperation with large real estate enterprises and renovation enterprises. Consequently, its marketing capability continued to improve and it successfully continued to win the bid of the landmark architecture and major construction projects across the nation.

BNBM enhanced efforts in its activities in management enhancement and implemented the "Three Five" management model and further increased its selling capability through reforms of its organisation structure. It further proceeded with activities intended to increase revenue, cut expenditure and reduce consumption, thereby effectively saving costs, significantly increasing profits and achieving sound and rapid development.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

Composite Materials Industry

China Composites proactively responded to the challenges caused by the slower development in the wind power industry and the increasingly fierce market competition, by adjusting its marketing strategy and guaranteeing normal production in key regions through reasonable production layout. It adhered to the principle of "big projects, big customers, big orders" and accelerated the development of new customer groups, so as to underpin its leading status in the industry.

By accelerating the launch of high-end products of China Composites, the 6MW rotor blade produced by it have passed the authoritative GL certification (Germanischer Lloyd). The carbon fibre production project is progressing smoothly.

China Composites actively proceeded with management enhancement and innovated management model, thereby effectively reducing its production costs.

Glass fibre business

China Fiberglass rapidly increased its share of products in the mid to high-end market and increased its effort in developing major markets, regions and customers. Meanwhile, it improved its layout of global business by expediting the project construction of glass fiber pool kiln wiredrawing with an annual capacity of 80,000 tonnes in Egypt and kicked off other overseas projects, to further increase corporate competitiveness and global influence.

In 2012, China Fiberglass actively proceeded with resource consolidation and optimisation in upstream industry chain and acquired 75% equity interests in Tongxiang Jinshi Precious Metal Equipment Co., Ltd (桐鄉金石貴金屬設備有限公司), a producer of platinum and rhodium equipment, and Tongxiang Leishi Mineral Powder Co., Ltd (桐鄉磊石微粉有限公司), a producer of pyrophyllite powder respectively, which increased its control on the upstream industry chain, reduced its production costs and further increased its profitability.

ENGINEERING SERVICES SEGMENT

China Triumph continued to leverage on its core technology and grasped the strategic opportunities arising from the industry upgrade in China. In adherence to its development strategy of “new glass, new materials, new energy, new equipment”, China Triumph used new technology to renovate traditional industry and boosted the structural adjustment and development transformation in the industry. It also gained significant progress in its solar photovoltaic business by successfully entering the photovoltaic power station markets in developed markets such as Europe, America and Japan. These accomplished new breakthrough in the shift of its business area to markets of green and low-carbon engineering technologies, and became the leader in the area of new energy.

China Triumph focused on resource consolidation, ever refining the enhancement in the upstream and downstream of the industry chain, such as the engineering service platform of cement projects, glass equipment platform, cement equipment platform and environmental protection and energy saving platform. On the technological innovation front, its advantages were becoming more apparent in respect of float glass and cement and thus it has become the forerunners in the industry development. China Triumph also had technology cooperation in the areas of processing and recycling of mud in urban areas and denitrating flue gas with advanced overseas enterprises, which created the record of highest temperature in the stable and efficient operation of denitrating flue gas over the nation.

FINANCIAL REVIEW

Revenue of the Group increased by 8.9% to RMB87,217.6 million during 2012 from RMB80,058.5 million in 2011. Profit attributable to equity holders decreased by 30.4% to RMB5,579.6 million during 2012 from RMB8,015.1 million in 2011.

Revenue

Our revenue increased by 8.9% to RMB87,217.6 million during 2012 from RMB80,058.5 million in 2011. The major reason is that although revenue of Southwest Cement increased by RMB8,851.4 million, revenue of China United increased by RMB1,885.6 million, revenue of North Cement increased by RMB1,276.5 million, revenue of Binzhou Cement increased by RMB444.4 million and revenue from the lightweight building materials segment increased by RMB676.7 million, they are partially offset by the revenue decrease of RMB5,211.7 million of South Cement, the revenue decrease of RMB822.2 million from the engineering services segment and the revenue decrease of RMB12.9 million from the glass fibre and composite materials segments.

Cost of sales

Our cost of sales increased by 14.2% to RMB67,089.2 million during 2012 from RMB58,741.9 million in 2011. The major reason is that although the cost of sales of Southwest Cement increased by RMB6,573.4 million, the cost of sales of China United increased by RMB2,237.1 million, the cost of sales of North Cement increased by RMB801.1 million, the cost of sales of Binzhou Cement increased by RMB280.8 million, the cost of sales of the lightweight building materials segment increased by RMB328.5 million and the cost of sales of the glass fibre and composite materials segments increased by RMB29.2 million, they are partially offset by the decrease in cost of sales of RMB1,033.1 million of South Cement and the decrease in cost of sales of RMB753.4 million from the engineering services segment.

Other income

Other income of the Group increased by 73.7% to RMB5,200.3 million during 2012 from RMB2,993.3 million in 2011. This was primarily due to an increase in government grants from RMB1,155.3 million in 2011 to RMB2,277.2 million during 2012, our technical and other service income increased from RMB1.1 million in 2011 to RMB302.8 million during 2012, our VAT refund increased from RMB1,515.3 million in 2011 to RMB1,942.1 million during 2012 and an increase in net gain from change in fair value of held-for-trading investments of the Group to RMB144.7 million during 2012 from RMB-96.3 million in 2011.

Selling and distribution costs

Selling and distribution costs increased by 75.4% from RMB2,212.7 million in 2011 to RMB3,880.9 million during 2012. The major reasons for such increase were an increase of RMB836.8 million in transportation costs and an increase of RMB333.6 million in packaging fees.

Administrative and other expenses

Administrative and other expenses increased by 18.8% to RMB5,475.5 million during 2012 from RMB4,609.8 million in 2011. This is primarily due to an increase of RMB365.6 million in the salary and allowances of the Group, an increase of RMB290.6 million in depreciation and amortisation of intangible assets.

Finance costs

Finance costs increased by 68.6% to RMB6,507.1 million in 2012 from RMB3,859.1 million in 2011, due to our increased borrowings which were required to support the increase in the business activities in the cement and commercial concrete business segment.

Share of profits of associates

Our share of profit of associates decreased by 33.2% to RMB458.6 million in 2012 from RMB686.1 million in 2011, primarily due to a decrease in profits of our associated companies in the cement segment.

Income tax expense

Income tax expense decreased by 38.7% to RMB2,186.9 million in 2012 from RMB3,568.8 million in 2011, primarily due to the decrease in profit before taxation.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased by 21.0% to RMB2,157.4 million in 2012 from RMB2,730.7 million in 2011, primarily due to the decrease in operating profit in the cement segment.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company decreased by 30.4% to RMB5,579.6 million in 2012 from RMB8,015.1 million in 2011. Net profit margin decreased to 6.4% in 2012 from 10.0% in 2011.

China United

China United merged with 28 commercial concrete companies as at 31 December 2012 and 2 as at 31 December 2011. The following table sets out the revenue, cost of sales, gross profit and operating results of the abovementioned commercial concrete companies for the both periods and their respective percentage in China United.

	The abovementioned commercial concrete companies For the year ended 31 December			
	2012		2011	
	RMB in millions	*Percentage in China United*	*RMB in millions*	*Percentage in China United*
Revenue	**4,254.2**	**21.2**	246.7	1.4
Cost of sales	**3,083.5**	**20.4**	218.9	1.7
Gross profit	**1,170.7**	**23.7**	27.8	0.5
Operating profit	**698.2**	**14.9**	21.0	0.5

Acquisition of cement subsidiaries

China United acquired 5 cement companies after 31 December 2012. Operating results of the above 5 cement companies were consolidated into the operating results of China United for the year ended 31 December 2012, but excluded from the operating results for the year ended 31 December 2011.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 5 cenment companies for the year ended 31 December 2012 and their respective percentage in China United.

	RMB in millions	**Total amount in China United** *Percentage*
Revenue	**475.4**	2.4
Cost of sales	**416.8**	2.8
Gross profit	**58.6**	1.2
Operating profit	**14.5**	0.3

Save the reasons stated below, changes in the operating results of China United for year ended 31 December 2012 as compared with the year ended 31 December 2011 were also due to the inclusion of operating results of the abovementioned commercial concrete business and the new acquisition of cement subsidiaries.

Revenue

Revenue from China United increased by 10.4% to RMB20,065.4 million in 2012 from RMB18,179.9 million in 2011, mainly attributable to the inclusion of the abovementioned commercial concrete business and the new acquisition of cement subsidiaries, partially offset by the decrease in the average selling price of cement products.

Cost of sales

Cost of sales from China United increased by 17.4% to RMB15,119.8 million in 2012 from RMB12,882.7 million in 2011, mainly attributable to the inclusion of the abovementioned commercial concrete business and the new acquisition of cement subsidiaries, partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit from China United decreased by 6.6% to RMB4,945.6 million in 2012 from RMB5,297.2 million in 2011. Gross profit margin of China United decreased from 29.1% in 2011 to 24.6% in 2012. The decrease in gross profit margin was mainly due to a lower average selling price of cement products, but was partially offset by lower coal prices.

Operating profit

Operating profit from China United increased by 8.6% to RMB4,685.3 million in 2012 from RMB4,313.9 million in 2011. Operating profit margin for the segment decreased from 23.7% in 2011 to 23.3% in 2012. The decrease was primarily due to the decrease in gross profit margin, yet partially offset by the increase in government grants.

South Cement

South Cement merged with 144 commercial concrete companies as at 31 December 2012 and 18 as at 31 December 2011. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for the both periods and their respective percentage in South Cement.

	The abovementioned commercial concrete companies For the year ended 31 December			
	2012		2011	
	RMB in millions	*Percentage in South Cement*	*RMB in millions*	*Percentage in South Cement*
Revenue	**4,801.6**	**15.9**	662.4	1.9
Cost of sales	**3,340.6**	**14.3**	542.2	2.2
Gross profit	**1,461.0**	**21.4**	120.2	1.1
Operating profit	**742.5**	**15.2**	101.5	1.2

Acquisition of cement subsidiaries

South Cement acquired 9 cement companies after 31 December 2011. Operating results of the above 9 cement companies were consolidated into the operating of South Cement for the year ended 31 December 2012, but excluded from the operating results for the year ended 31 December 2011.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 9 cement companies for the year ended 31 December 2012 and their respective percentage in South Cement.

		Total amount in South Cement
	RMB in millions	*Percentage*
Revenue	**963.6**	3.2
Cost of sales	**822.4**	3.5
Gross profit	**141.2**	2.1
Operating profit	**95.3**	2.0

Save the reasons stated below, changes in the operating results of South Cement for year ended 31 December 2012 as compared with the year ended 31 December 2011 were also due to the inclusion of operating results of the abovementioned commercial concrete business and the acquisition of cement subsidiaries.

Revenue

Revenue from South Cement decreased by 14.7% to RMB30,209.8 million in 2012 from RMB35,421.5 million in 2011, mainly attributable to the decrease in the average selling price of cement products.

Cost of sales

Cost of sales from South Cement decreased by 4.2% to RMB23,387.4 million in 2012 from RMB24,420.5 million in 2011, mainly attributable to the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit from South Cement decreased by 38.0% to RMB6,822.5 million in 2012 from RMB11,001.0 million in 2011. Gross profit margin of South Cement decreased from 31.1% in 2011 to 22.6% in 2012. The decrease in gross profit margin was mainly due to a lower average selling price of cement products, but was partially offset by lower coal prices.

Operating profit

Operating profit from South Cement decreased by 44.4% to RMB4,875.9 million in 2012 from RMB8,763.4 million in 2011. Operating profit margin for the segment decreased from 24.7% in 2011 to 16.1% in 2012. The decrease was primarily due to the decrease in gross profit margin.

North Cement

North Cement merged with 5 commercial concrete companies as at 31 December 2012 and 4 as at 31 December 2011. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for both periods and their respective percentage in North Cement.

	The abovementioned commercial concrete companies For the year ended 31 December			
	2012		2011	
	RMB in millions	*Percentage in North Cement*	*RMB in millions*	*Percentage in North Cement*
Revenue	**222.1**	**3.5**	133.5	2.7
Cost of sales	**141.6**	**3.4**	88.4	2.6
Gross profit	**80.5**	**3.8**	45.1	2.8
Operating profit	**47.4**	**2.3**	26.6	1.8

Acquisition of cement subsidiaries

North Cement acquired 10 cement companies after 31 December 2011. Operating results of the above 10 cement companies were consolidated into the operating results of North Cement for the year ended 31 December 2012, but excluded from the operating results for the year ended 31 December 2011.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 10 cement companies for the year ended 31 December 2012 and their respective percentage in North Cement.

		Total amount in North Cement
	RMB in millions	*Percentage*
Revenue	**1,797.0**	28.5
Cost of sales	**1,278.7**	30.3
Gross profit	**518.3**	24.7
Operating profit	**488.6**	23.7

Save the reasons stated below, changes in the operating results of North Cement for year ended 31 December 2012 as compared with the year ended 31 December 2011 were also due to the inclusion of operating results of the abovementioned commercial concrete business and the acquisition of cement subsidiaries.

Revenue

Revenue from North Cement increased by 25.4% to RMB6,310.3 million in 2012 from RMB5,033.8 million in 2011, mainly attributable to the increase in the average selling price and sales volume of cement products.

Cost of sales

Cost of sales from North Cement increased by 23.5% to RMB4,213.4 million in 2012 from RMB3,412.3 million in 2011, mainly attributable to the increase in sales volume of cement products.

Gross profit and gross profit margin

Gross profit from North Cement increased by 29.3% to RMB2,096.9 million in 2012 from RMB1,621.6 million in 2011. Gross profit margin of North Cement increased from 32.2% in 2011 to 33.2% in 2012, mainly owing to a higher average selling price of cement products.

Operating profit

Operating profit from North Cement increased by 36.9% to RMB2,058.0 million in 2012 from RMB1,503.6 million in 2011. Operating profit margin for the segment increased from 29.9% in 2011 to 32.6% in 2012, primarily due to the increase in gross profit margin.

Binzhou Cement

The Group acquired Binzhou Cement in July 2011. For the year ended 31 December 2011, the operating results of Binzhou Cement had been consolidated for six months. The following table sets out the revenue, cost of sales, gross profit and operating results of Binzhou Cement the year ended 31 December 2012 and 31 December 2011 respectively.

	Binzhou Cement For the year ended 31 December	
	RMB in millions	
	2012	2011
Revenue	**1,265.6**	821.2
Cost of sales	**720.4**	439.6
Gross profit	**545.2**	381.6
Operating profit	**600.5**	422.6

Southwest Cement

Southwest Cement merged with 4 commercial concrete companies as at 31 December 2012 and 1 as at 31 December 2011. The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned commercial concrete companies for both periods and their respective percentage in Southwest Cement.

	The abovementioned commercial concrete companies For the year ended 31 December			
	2012		2011	
	RMB in millions	*Percentage in Southwest Cement*	*RMB in millions*	*Percentage in Southwest Cement*
Revenue	**83.9**	**0.9**	5.0	0.6
Cost of sales	**67.4**	**0.9**	3.5	0.5
Gross profit	**16.5**	**0.7**	1.5	1.2
Operating profit	**11.3**	**0.7**	0.8	1.7

Acquisition and establishment of cement subsidiaries

Southwest Cement acquired and established 41 cement companies after 31 December 2011. Operating results of the above 41 cement companies were consolidated into the operating results of Southwest Cement for the year ended 31 December 2012, but excluded from the operating results for the year ended 31 December 2011.

The following table sets out the revenue, cost of sales, gross profit and operating results of the abovementioned 41 cement companies for the year ended 31 December 2012 and their respective percentage in Southwest Cement.

	RMB in millions	Total amount in Southwest Cement Percentage
Revenue	**5,580.7**	57.5
Cost of sales	**4,086.6**	56.0
Gross profit	**1,494.1**	62.3
Operating profit	**1,237.2**	74.9

Save the reasons stated below, changes in the operating results of Southwest Cement for year ended 31 December 2012 as compared with the year ended 31 December 2011 were also due to the inclusion of operating results of the abovementioned commercial concrete business related to the acquisition and establishment of cement subsidiaries.

Revenue

Revenue from Southwest Cement increased by 1,046.3% to RMB9,697.4 million in 2012 from RMB846.0 million in 2011, mainly attributable to the increase in sales volume of cement products, but partially offset by the decrease in the average selling price of cement products.

Cost of sales

Cost of sales from Southwest Cement increased by 906.6% to RMB7,298.5 million in 2012 from RMB725.1 million in 2011, mainly attributable to the increase in sales volume of cement products, but partially offset by the decrease in coal prices.

Gross profit and gross profit margin

Gross profit from Southwest Cement increased by 1,884.5% to RMB2,398.9 million in 2012 from RMB120.9 million in 2011. Gross profit margin of Southwest Cement increased from 14.3% in 2011 to 24.7% in 2012, mainly owing to a lower coal price, but partially offset by the decrease in the average selling price of cement products.

Operating profit

Operating profit from Southwest Cement increased by 3,472.7% to RMB1,652.5 million in 2012 from RMB46.3 million in 2011. Operating profit margin for the segment increased from 5.5% in 2011 to 17.0% in 2012, primarily due to the increase in gross profit margin.

Lightweight building materials segment

Revenue

Revenue from the lightweight building materials segment increased by 11.4% to RMB6,635.4 million in 2012 from RMB5,958.7 million in 2011. This was mainly attributable to the increase in sales volume from our main product, gypsum boards, but partially offset by a reduction of selling price.

Cost of sales

Cost of sales from the lightweight building materials segment increased by 6.7% to RMB5,241.1million in 2012 from RMB4,912.6 million in 2011. This was mainly attributable to the increase in sales volume from our main product, gypsum boards, but partially offset by a reduction of coal price.

Gross profit and gross profit margin

Gross profit from the lightweight building materials segment increased by 33.3% to RMB1,394.3 million in 2012 from RMB1,046.1 million in 2011. Our gross profit margin from the lightweight building materials segment increased to 21.0% in 2012 from 17.6% in 2011, mainly due to a reduction of coal price, but partially offset by the drop in selling prices.

Operating profit

Operating profit from the lightweight building materials segment increased by 28.1% to RMB1,197.9 million in 2012 from RMB935.3 million in 2011. The gross profit margin from this segment increased to 18.1% in 2012 from 15.7% in 2011, mainly due to a rise in gross profit margin.

Glass fibre and composite materials segment

As China Fiberglass is an associate but not a subsidiary of the Group, its operating results will not be accounted into our consolidated statements regarding operating results, nor will it be accounted into our segment results of the glass fibre and composite materials segment. Unless otherwise indicated, any reference regarding the operating results of the segment excludes that of China Fiberglass.

Revenue

Our revenue from the glass fibre and composite materials segment decreased by 0.6% to RMB2,195.4 million in 2012 from RMB2,208.2 million in 2011. The main reason is that although our revenue from the carbon fiber business has dropped RMB36.1 million, our revenue from the flooring business has reduced RMB13.2 million and our revenue from the FRP pipes and tanks business and rotor blade has decreased RMB12.3 million, they are partially offset by our revenue increase of RMB6.6 million in the shipping business.

Cost of sales

Our cost of sales from the glass fibre and composite materials segment increased by 1.7% to RMB1,746.7 million in 2012 from RMB1,717.5 million in 2011. The main reason is that our cost from the carbon fiber business has risen RMB3.5 million in addition to our cost increase of RMB1.9 million in the shipping business.

Gross profit and gross profit margin

Our gross profit from the glass fibre and composite materials segment decreased by 8.6% to RMB448.7 million in 2012 from RMB490.7 million in 2011. Our gross profit margin from the glass fibre and composite materials segment decreased to 20.4% in 2012 from 22.2% in 2011. This is mainly due to a reduction in the gross profit margin of the carbon fiber business in 2012.

Operating profit

Operating profit for our glass fibre and composite materials segment decreased by 32.8% to RMB171.8 million in 2012 from RMB255.6 million in 2011. The operating profit margin for the segment decreased to 7.8% in 2012 from 11.6% in 2011, primarily due to a decrease in gross profit margin of the segment.

Engineering services segment

Revenue

Our revenue from the engineering services segment decreased by 11.9% to RMB6,067.4 million in 2012 from RMB6,889.6 million in 2011, mainly because of a reduction in the completed construction services in the period.

Cost of sales

Our cost of sales from the engineering services segment decreased by 13.3% to RMB4,892.0 million in 2012 from RMB5,645.5 million in 2011, mainly because of a reduction in the completed construction services in the period.

Gross profit and gross profit margin

Our gross profit from the engineering services segment decreased by 5.5% to RMB1,175.4 million in 2012 from RMB1,244.2 million in 2011, mainly because of a reduction in the completed construction services in the period. Our gross profit margin from the engineering services segment increased to 19.4% in 2012 from 18.1% in 2011, primarily due to as improved gross profit margin of EPC projects out of the product mix in the segment.

Operating profit

Operating profit for our engineering services segment decreased by 10.0% to RMB718.9 million in 2012 from RMB799.2 million in 2011, while the operating profit margin for the segment increased to 11.8% in 2012 from 11.6% in 2011. This is primarily due to an increase in gross profit margin.

Liquidity and financial resources

As at 31 December 2012, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB63,074.2 million in total.

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

	As at 31 December	
	2012	2011
	(RMB in millions)	
Bank loans	**108,168.7**	74,384.1
Other borrowings from non-financial institutions	**34,447.8**	11,482.1
	142,616.5	85,866.2

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

	As at 31 December	
	2012	2011
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**90,751.9**	53,118.0
Between one and two years	**19,365.0**	9,075.2
Between two and three years	**20,349.3**	13,431.8
Between three and five years (inclusive of both years)	**10,167.0**	7,681.7
Over five years	**1,983.3**	2,559.5
Total	**142,616.5**	85,866.2

As at 31 December 2012, bank loans in the amount of RMB8,924.5 million were secured by assets of the Group with a total carrying value of RMB15,174.3 million.

As at 31 December 2012 and 31 December 2011, we had a debt-to-asset ratio of 57.9% and 54.2%, respectively.

Exchange Risks

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

Contingent Liabilities

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

	As at 31 December	
	2012	2011
	(RMB in millions)	
Guarantee to banks in respect of bank credits used by an independent third party of subsidiaries before acquisition	**355.0**	293.0
Total	**355.0**	293.0

Capital Commitments

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

	As at 31 December	
	2012	2011
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**553.9**	1,356.2
Capital expenditure of the Company in respect of prepaid lease payments (contracted but not provided for)	**93.0**	23.3
Capital expenditure of the Company in respect of equity acquisition (contracted but not provided for)	**963.0**	84.4
Capital expenditure of the Company in respect of acquisition of mining rights (contracted but not provided for)	**—**	295.2

Capital Expenditures

The following table sets out our capital expenditures for the year ended 31 December 2012 by segment:

		For the year ended 31 December 2012	
		(RMB in millions)	*% of total*
Cement		7,067.8	72.6
Among:	China United	3,237.6	33.2
	South Cement	2,109.2	21.7
	North Cement	722.1	7.4
	Southwest Cement	955.5	9.8
	Binzhou Cement	37.5	0.4
Commercial concrete		517.0	5.3
Among:	China United	63.6	0.7
	South Cement	214.1	2.2
	North Cement	236.5	2.4
	Southwest Cement	2.8	—
Lightweight building materials		1,235.3	12.7
Glass fibre and composite materials		362.6	3.7
Engineering services		63.7	0.6
Others		493.8	5.1
Total		9,740.2	100.0

Cash Flow from Operating Activities

For 2012, our net cash inflow generated from operating activities was RMB10,017.0 million. Such net cash inflow was primarily due to RMB19,632.3 million of cash flow from operating activities before the change in working capital, partially offset by a RMB2,578.6 million increase in trade and other receivables and a RMB3,695.9 million decrease in trade and other payables.

Cash Flow from Investing Activities

For 2012, our net cash outflow from investing activities was RMB36,667.3 million, which was primarily due to an expenditure of RMB13,981.0 million for acquisition of subsidiaries and associates, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB11,411.1 million in total, other payment for investing activities of RMB6,655.7 million and a RMB8,409.7 million paid in deposits.

Cash Flow from Financing Activities

For 2012, we had a net cash inflow from financing activities amounting to RMB27,105.6 million, primarily attributable to a total of RMB112,886.3 million in new borrowings, partially offset by RMB62,446.3 million for repayment of borrowings.

OUTLOOK FOR 2013

2013 is a year full of opportunities and challenges. It is also a year for our country to accomplish the transformation from high-speed to mid-speed growth and from the development model of scale expansion to quality efficiency, as well as a pivotal and transitional year in implementing of the "Twelfth Five-year Plan". With focus on economic development in China will be to enhance quality and efficiency of economic growth, it will insist on maintaining steady growth and continually implement proactive fiscal policy and prudent monetary policy, so as to achieve sustainable and sound economic development. In the meantime, the central government of China has proposed to accelerate adjusting the industry structure, control the increase in production capacity, optimise inventory, focus on resolving the production overcapacity by encouraging corporate merger and restructuring and enhancing the degree of industrial concentration and the economies of scale. Driven by the rising spending in the welfare housing, agricultural facilities, water conservancy, pipe network by the State, demand for building materials and products will further increase.

In 2013, adopting the working principles of "advance, meticulosity, refinement, solidity" as work rule, CNBM will leverage on the macroeconomic environment and momentum, firmly grasp the historical opportunities from the accelerated restructuring, transformation and upgrade in the building materials industry. In adherence to the two key principles of performance and results-oriented and "marketing and management enhancement", CNBM will steadily proceed with consolidation and restructuring as well as capital operation, whilst vigorously developing the "Three New" industries, with an aim to fully accomplish all the missions and goals of the year 2013.

Firstly, we will adhere to the business ideology of "PCP", focus on performance and results, and continue to strengthen marketing and insist on the sales-driven production approach. We will also further proceed with the management enhancement, focusing on "Three Five" management, and further enhancing "Five C" management and management integration. We will put emphasis on the KPI, strictly implement benchmark management and lean production, and fully implement the cost and expense saving scheme, so as to further reduce costs and increase efficiency.

Secondly, we will steadily push forward consolidation and restructuring of the cement and commercial concrete business in the core profit-generating regions, refine the strategic layout to increase the market share and achieve greater economies of scale. We will also accelerate the extension of the industry chain and shift developments towards high performance-oriented, specialised-oriented, commercial concrete-oriented and product-oriented, so as to improve the capability in sustainable development.

Thirdly, we will actively proceed with capital operation through equity and debt financing and explore of new ways and channels of financing to optimise the debt structure and reduce finance expenses.

Fourthly, we will actively proceed with technological innovation, environmental protection, energy saving and emission reduction, accelerate the promotion of advanced technology in green economy, recyclable economy and low-carbon economy, so as to accomplish energy saving and consumption reduction meanwhile to increase overall economic benefits.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complied with the code provisions of the Code on Corporate Governance Practices (the "Former Code") during the period from 1 January 2012 to 31 March 2012 and of the new Corporate Governance Code (the "New Code") (together with the Former Code, the "Code") as set out in Appendix 14 to the Listing Rules during the period from 1 April 2012 to 31 December 2012. It has standardized its operation and promoted the continuous improvement of corporate governance. Under the guidance of the regulatory documentation such as the Listing Rules, Articles of Association of the Company, the "Terms of Reference of the Audit Committee", the "Terms of Reference of the Remuneration and Performance Appraisal Committee" and the "Terms of Reference of the Nomination Committee", an organic management system has been formed with the general meeting being the highest and ultimate decision making authority, the Board being the secondary decision making authority and the core for strategy implementation and the Supervisory Committee being the authority for management supervision. The three bodies have distinct and separate duties which are effectively linked to the daily management of the Company. They are able to seize strongly the direction of the Company's operation from both the macro and micro perspectives, and regulate the management and control process of the Company in a reasonable manner, thereby maximising the interests of the shareholders in a legal and highly effective manner.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2012 ("securities" shall have the meaning as defined in the Listing Rules).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a set of code no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that each of the Directors has confirmed that he/she complied with the Model Code during the period from 1 January 2012 to 31 December 2012.

AUDIT COMMITTEE

The members of the audit committee of the Company formed pursuant to Appendix 14 of the Listing Rules include Mr. Wu Liansheng (Chairman), Mr. Ma Zhongzhi and Ms. Cui Lijun. The principal duties of the audit committee include supervising the Company's financial reporting procedures, internal control and risk management. During the reporting period, the audit committee has operated in accordance with Appendix 14 of the Listing Rules. The audit committee has reviewed the Group's financial statements and results for the year ended 31 December 2012.

DIVIDENDS

The Board recommends the distribution of a final dividend of RMB0.155 per share (pre-tax) for 5,399,026,262 shares for the period from 1 January 2012 to 31 December 2012 (2011: RMB0.215 per share (pre-tax) for 5,399,026,262 shares), representing a total amount of RMB836,849,070.61 (pre-tax) (2011 total: RMB1,160,790,646.33 (pre-tax)).

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on Domestic Shares will be paid in Renminbi and dividends on H Shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends by the annual general meeting.

The proposed final dividend is subject to approval at the annual general meeting to be held on Thursday, 23 May 2013.

In accordance with tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the year ended 31 December 2012 to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on Tuesday 24 June 2013.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》) and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% individual income tax for the Company's individual H shareholders whose names appear on the register of members of H shares of the Company (the "Individual H Shareholders"). Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》) issued by the State Administration of Tax and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H share register of members of the Company on Tuesday 24 June 2013 (the "Registered Address"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

- for Individual H Shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發<非居民享受稅收協定待遇管理辦法試行>的通知》國稅發[2009]124號) (the "Tax Treaties Notice") on or before Tuesday 11 June 2013. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will finally withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will finally withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders.

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Tuesday 11 June 2013. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they do not provide the relevant supporting documents to the Company within the time period stated above.

Shareholders are recommended to consult their tax advisers regarding PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Company.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are eligible to attend and vote at the annual general meeting, the register of members of the Company will be closed from 22 April 2013 to 23 May 2013 (both days inclusive), during which period no transfer of shares in the Company will be effected. To be eligible to attend and vote at the forthcoming annual general meeting, holders of H Shares of the Company shall lodge all the share transfer documents and relevant certificates with the Company's H share registrar, Tricor Investor Services Limited for registration not later than 4:30p.m. on 19 April 2013 for share registration.

Shareholders whose names appear on the register of members on Saturday, 8 June 2013 will be eligible for the final dividend. The register of members of the Company will be closed from Monday, 3 June 2013 to Friday, 7 June 2013 (both days inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H Shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at Tricor Investor Services Limited, the Company's H Share Registrar, not later than 4:30p.m. on Friday, 31 May 2013 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Thursday, 27 June 2013 to the shareholders whose names appear on the register of members of the Company on Saturday, 8 June 2013.

MATERIAL TRANSACTIONS

1. Extension of the Validity Period of the Shareholders' Approval for the Proposed A Share Issue

As the proposed A share issue of the Company is under review by the CSRC and the validity period of the Shareholders' approval for the proposed A share issue expired on 15 September 2012, the Board considered and approved on 18 July 2012 to convene a general meeting and class meetings of H Shareholders and domestic Shareholders, for the approval of an extension of the validity period for the proposed A share issue for the further 12 months. At the second extraordinary general meeting of the Company in 2012 and the first class meeting of the Company in 2012 held on 10 September 2012, an extension of the validity period of the Shareholders' approval for the proposed A share issue was considered and approved. The validity period of the Shareholders' approval for the proposed A share issue is effective within 12 months commencing from the date of the consideration and passing of the resolution at the meetings.

Details of the proposed extension of the validity period of the Shareholders' approval for the proposed.

A share issue has been disclosed in the announcement published by the Company dated 18 July 2012 and its circular dated 26 July 2012. As at the date of this announcement, the proposed A share issue is still under progress.

2. Increased Capital Contribution to North Cement

On 28 June 2012, the Company entered into a capital contribution agreement with Jingang Group and Shanghai Zhentong pursuant to which the registered capital of North Cement shall be increased from RMB1 billion to RMB4 billion. Upon completion of the capital contribution, the Company's equity interest in North Cement shall be increased from 55% of the existing issued share capital of North Cement to 70% of the enlarged issued share capital of North Cement, Jingang Group's equity interest in North Cement shall be reduced from 45% to 20%, while Shanghai Zhentong shall hold a 10% equity interest in North Cement.

Details of the capital contribution to North Cement have been disclosed in the announcement published by the Company dated 28 June 2012. As at the date of this announcement, the paid-in capital received by North Cement amounted to RMB4,000 million, of which the Company contributed an amount of RMB2,800 million, representing 70% of the paid-in capital of North Cement. Jingang Group and Shanghai Zhentong contributed RMB800 million and RMB400 million, representing 20% and 10% of the paid-in capital received by North Cement, respectively.

3. Increased Capital Contribution to Southwest Cement

Pursuant to the capital contribution agreement dated 9 December 2011 between the Company, Shenzhen Jingda, Shanghai Zhentong and Beijing Huachen (the "Capital Contribution Agreement"), the four parties jointly established Southwest Cement and agreed to contribute their respective amounts of capital to Southwest Cement by instalments.

On 19 October 2012, the Company entered into the capital contribution rights transfer Agreement with Shenzhen Jingda (the "Capital Contribution Rights Transfer Agreement"), with a view to increasing the Company's capital contribution to Southwest Cement. Pursuant to the Capital Contribution Rights Transfer Agreement, Shenzhen Jingda has elected to release a part of its agreed but unpaid capital contribution rights and obligations under the Capital Contribution Agreement and transfer such unpaid capital contribution rights and obligations amounting to RMB2,000 million to the Company. The Company would acquire and assume Shenzhen Jingda's respective rights and obligations of contributing such capital to Southwest Cement without any consideration, as a result of which its agreed capital contribution to Southwest Cement would increase from the existing RMB5,000 million to RMB7,000 million, and its proportion of aggregate agreed capital contribution to Southwest Cement would increase from the existing 50% to 70%.

Details of the capital contribution to Southwest Cement have been disclosed in the announcement published by the Company on 19 October 2012. As at the date of this announcement, the paid-in capital received by Southwest Cement amounted to RMB7,870 million, of which the Company contributed an amount of RMB7,000 million, representing 88.95% of the paid-in capital of Southwest Cement. Shanghai Zhentong and Beijing Huachen contributed RMB370 million and RMB500 million, representing 4.70% and 6.35% of the paid-in capital received by Southwest Cement, respectively.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2012, the Group had approximately 121,657 employees.

The remuneration package of the Company's employees includes salary, bonuses and allowances. In accordance with relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of employees, a monthly social insurance premium covering pension insurance, injury insurance, medical insurance, unemployment insurance and housing reserve fund. The Company's remuneration policy for its staff is performance based, taking into account duties and responsibilities while bonus is linked to the overall economic efficiency of the Company.

The Company endeavours to provide training to its employees. On-job training and continuous training plans include management skills and technical training, overseas exchange schemes and other courses. The Company also encourages employees to improve themselves.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

In accordance with the requirements under the Listing Rules which are applicable to the reporting period, the 2012 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2012 will be posted on the website of the Stock Exchange (website: http://www.hkex.com.hk) on or before 31 April 2013. This information will also be published on the website of the Company (website: http://cnbm.wsfg.hk).

DEFINITIONS

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

"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"Board"	the board of directors of the Company
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Company Limited)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"EPC"	turn-key project services that include design, procurement and construction

"Five C"	marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralisation
"GDP"	gross domestic products
"Group", "we" and"us"	the Company and, except where the context otherwise requires, all its subsidiaries
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region
"Huaihai"	including (but not limited to) southern Shandong, northern Jiangsu, eastern Henan and northern Anhui
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Ministry of Industry and Information Technology"	the Ministry of Industry and Information Technology of the People's Republic of China
"Northern China"	including (but not limited to) Heilongjiang, Jilin and Liaoning
"NSP cenment"	cement produced by means of new suspension preheater dry process from clinker
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"PCP"	PCP, Price-Cost-Profit

"PRC"	the People's Republic of China
"Reporting Period"	the period from 1 January 2012 to 31 December 2012
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Shanghai Zhentong"	上海圳通股權投資管理有限公司 (Shanghai Zhentong Equity Investment Management Company Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Jingda"	深圳京達股權投資管理有限公司 (Shanghai Jingda Equity Investment Management Company Limited)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southeast China"	including but not limited to Shanghai, Zhejiang, Jiangsu, Jiangxi and Hunan
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)
"Southwest China"	including but not limited to Sichuan, Yunnan, Guizhou and Chongqing
"State"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)

"Three Five management"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralization. Five I (five key operation indices), i.e. net profit, selling price and sales volume, cost, cash flow and gearing ratio

By Order of the Board
China National Building Material Company Limited
Song Zhiping
Chairman of the Board

Beijing, the PRC
22 March 2013

As at the date of this announcement, the board of directors of the Company comprises Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai and Mr. Chang Zhangli as executive directors, Mr. Guo Chaomin, Mr. Huang Anzhong and Ms. Cui Lijun as non-executive directors, and Mr. Qiao Longde, Mr. Li Decheng, Mr. Ma Zhongzhi, Mr. Shin Fang and Mr. Wu Liansheng as independent non-executive directors.

* *For identification only*